

Delivering the best accommodation experience for students



Our core purpose at UNITE is to deliver the best accommodation experience for students, with passion and pride.

Our mission statement explained:

to deliver

– means we do what we say we will

the best

– we lead, we're research based and we're recognised for our innovation

accommodation experience

– it's the service we provide, as much as the bricks and mortar, that creates our customers' experience

for students

– and no-one else

with passion and pride

– the way we work, we love what we do and we are proud to tell people who we work for

Financial highlights

Against a backdrop of challenging financial and uncertain market conditions UNITE reports a profitable operating business, increased financial flexibility and balance sheet strength, positioning the Group for growth.

Highlights

- Profit at a net portfolio contribution level of £0.6 million
- Adjusted fully diluted NAV per share down 13% to 265 pence
- Like-for-like rental growth of 9.7% and 96.5% occupancy
- Completion of Blueprint operational change programme delivering annualised cost savings of £12 million
- Balanced sheet strength and flexibility improved – adjusted net debt reduced to £390 million and adjusted gearing reduced to 92% as a result of proactive steps taken:
 - £246 million of asset sales completed
 - Joint venture created with Oasis Capital Bank
 - Successful equity raise through a Placing and Open Offer raised £82 million
 - £167 million capital raise by the UNITE UK Student Accommodation Fund ('USAF')

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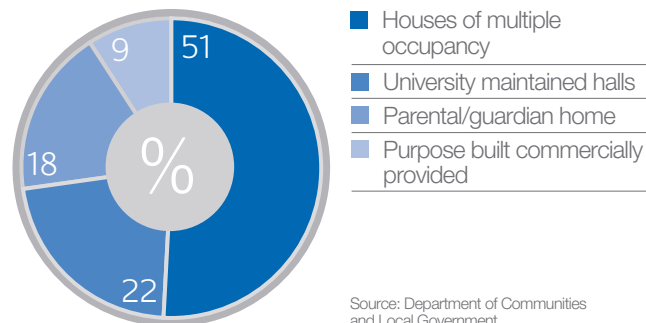
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02 Overview of UNITE

Market opportunity

A record number of almost 500,000 new students were accepted into university in 2009 ensuring strong demand for purpose built student accommodation. As the leading developer and manager of student accommodation across the UK, UNITE has established a unique business model designed to create growth opportunities. With 20 years' experience, UNITE has pioneered the UK student accommodation sector.

UK student accommodation sources of supply



UNITE strategy



Using our sector expertise, based on a scalable operating platform and financial strength, UNITE's growth strategy is based on targeted development opportunities, proactive asset management and working in partnership with universities to support their changing accommodation needs.

Strategic activities

1. Development Management
2. Property Management
3. Asset Management
4. Fund Management



Development Management

Research-led, customer-driven development of new purpose built student accommodation is an important part of our growth strategy. The development business identifies, acquires, designs and constructs schemes that best meet the needs of students in key targeted locations. During 2009 UNITE developed 14 properties across the UK.

Activities

- Deliver a growth strategy by developing 4,000 to 5,000 bed spaces for completion between 2012 and 2014
- Continue UNITE's research-led, customer-driven strategy of identifying key brownfield sites bringing regeneration to local communities
- Innovate design and specification standards to ensure the best quality of student accommodation for the Group's customers, property managers and investors

Key performance indicator

To build and maintain a strong and profitable development pipeline.

For further information turn to page **04**



Property Management

UNITE Property Management is a highly professional and scalable national operating platform through which UNITE provides a world class letting and management service to its customers. The division is responsible for securing and managing lettings through its unique market leading online booking system and ongoing property maintenance through our dedicated city management teams.

Activities

- Maintain UNITE's unique, market leading online sales and marketing platform
- Provide a safe and secure environment for our customers
- Work closely in partnership with universities and other key stakeholders to seek both development and management opportunities

Key performance indicator

To manage our assets effectively.

For further information turn to page **05**

UNITE portfolio

UNITE is the UK's leading provider of student accommodation with 38,300 bed spaces in 129 properties across 24 university towns and cities.

UNITE delivered 2,853 new bed spaces across 14 properties in 2009 of which 1,526 bed spaces were located in London – a region which remains a key focus for UNITE.

Top ten

Rank	City	Completed beds 2009/2010	Full time students 2007/2008	Projected market share
1	London	5,457	254,445	2.1%
2	Sheffield	3,734	42,250	8.8%
3	Liverpool	3,327	37,955	8.9%
4	Leeds	3,137	49,390	6.4%
5	Bristol	3,036	35,420	8.6%
6	Manchester	2,595	59,092	4.4%
7	Birmingham	1,832	19,635	9.3%
8	Aberdeen	1,685	25,290	6.7%
9	Leicester	1,658	25,290	6.7%
10	Portsmouth	1,402	14,600	9.6%

Source: UNITE/HESA



Asset Management

Proactive asset management of UNITE's existing portfolio investments delivers returns to the Group by focusing on the quality and location of its investment and operational portfolio, refurbishing and upgrading facilities where appropriate. This business unit is also responsible for identifying acquisition and disposal opportunities on behalf of UNITE and its indirect investment vehicles.

Activities

- Continuously review current performance and performance outlook for all operational assets
- Deliver value adding strategies to manage those assets where further opportunities are identified
- Work collaboratively with the wider business to complete any upgrade or refurbishment works

Key performance indicator

To manage our assets effectively including the effective buying and selling of assets.

For further information turn to page **06**



Fund Management

UNITE's Fund Management business is responsible for overseeing the management of the Group's co-investment vehicles. The largest of these vehicles is the £1 billion UNITE UK Student Accommodation Fund, the leading fund for indirect institutional investment in the UK student accommodation sector.

The Funds team also manages the UNITE Capital Cities Joint Venture with GIC Real Estate, the UNITE Student Village Joint Venture with Lehman Brothers and a joint venture with Oasis Capital Bank.

Activities

- Maximise fund returns
- Maintain and develop the financing capacity of the vehicles under management
- Maintain USAF as the pre-eminent fund for institutional investment in the student sector
- Develop the range and scale of funds and joint ventures under management

Key performance indicator

To manage funds/joint ventures efficiently, maximise medium-term total returns and maintain investor support and trust.

For further information turn to page **07**



Emily Bowes Court,
Tottenham, London

1 Case study: Development Management

Our development programme is research led, based on where and how students want to live.



University of the Arts students at Emily Bowes Court, N17, one of UNITE's new buildings to open in 2009.



Charlton Court – riverside living in Bath for students at Bath Spa University.

Emily Bowes Court is the first student village to be built in London by UNITE. The £54 million development was built on vacant industrial land in Tottenham Hale, London on a 1.5 acre site. Opened by the Mayor of London's Housing Advisor, Richard Blakeway, in September 2009, it provides 687 en-suite study bedrooms for students.

The student accommodation is part of a major mixed-use regeneration scheme known as Hale Village, linked by footbridge to Tottenham Hale tube and only three stops to the university precinct with easy access to Central London. By utilising UNITE's modular construction techniques, the team are able to reduce build time and waste, as well as ensuring consistently high quality standards throughout the development. Emily Bowes Court is let to the University of the Arts through a one year nominations agreement.

Located in a popular student area in Bath, Charlton Court provides a range of cluster flats and studios exclusively to first year students studying at Bath Spa University through a nominations agreement. Opened in September 2009 by local Liberal Democrat MP, Don Foster, the development provides much needed professionally managed, safe, secure student accommodation in a residential area.

Sited next to a Grade II listed building and in the conservation area of Bath, the £22 million student accommodation scheme required sensitive planning and design and has helped alleviate housing pressures in the surrounding area.



Students at home with UNITE

**2 Case study:
Property Management**

We provide a professional letting and management service throughout all our buildings.



UNITE's online booking service with easy access via the internet.



Living with your friends UNITE style.

UNITE Property Management delivers the letting and management of the Group's portfolio across the UK providing a market leading accommodation experience for all its customers.

UNITE provides customer support from initial viewing, through property booking, to students' ongoing living experience. Its unique and market-leading online sales and marketing platform means that rooms can be viewed and booked online, with virtual tours of UNITE's properties available on our website.

Our accommodation is built to high specifications, with a contemporary design, and a wide choice of style from studio rooms through to flatshares for up to seven people. UNITE caters for a wide range of budgets starting from £129 per week in London and £63 per week in Aberdeen and our rental agreements are inclusive of utility bills, contents insurance and in-room internet access so students don't have to budget for unexpected bills.

All properties are well located for student needs, typically found close to the city centre and/or university campus. Safety and security are provided through city management teams with 24 hour support from their professional security teams and dedicated maintenance teams. This city based operating platform is fully supported by a national contact centre for account queries, sales and 24 hour on call assistance.

UNITE continues to build and maintain its close relationships with universities and other higher education stakeholders across the UK, supporting their evolving student accommodation needs.



Unite House,
Bristol



Case study: Asset Management

We proactively manage our assets to continuously add value.



Refurbished in 2008 to a high a standard, Culver House is a popular choice with students studying in Bristol.



Refurbished in 2009, Unite House was sold on a sale and lease back agreement to M&G Secured Property Income Fund.

As one of UNITE's earliest additions to its portfolio, Unite House in Bristol opened its doors for the first time in September 2000 and has been a popular choice for students during the last 10 years. Due to its location and nominations agreement with the University of Bristol, UNITE's Asset Management team identified further potential to improve the offering at Unite House to its customers while at the same time achieving renegotiated rents and an uplift in valuation of the property.

During the summer of 2009, UNITE completed a comprehensive refurbishment of all 395 beds at Unite House, and as a result successfully raised rents by 26%.

The nature of Unite House's tenancy arrangement with the University of Bristol meant that it did not meet the required criteria of USAF and was therefore actively marketed to external investors.

Following the completion of its refurbishment in September, Unite House was sold in November 2009 for a cash consideration of £21.5 million at a net initial yield of 6.07%.

UNITE has retained a 25 year lease of the asset, based on an annual rent starting at £1.4 million and subject to annual increases linked to RPI, maintaining the management, brand presence and a strong relationship with the University of Bristol. For the 2009/10 academic year, UNITE expects the property to generate a net operating income of £1.5 million, meaning that it will retain a profit rent of approximately £0.1 million from the operation of the asset for this academic year.



Gibson Street,
Glasgow



Case study: Fund Management

We are recognised as the leading co-investing manager in the student accommodation sector.



Chalmers Street is UNITE's latest development in Edinburgh, offering purpose built, professionally managed accommodation to 251 students studying in the area.

Chalmers Street was sold to USAF in December as part of its recent portfolio acquisition from UNITE.



As part of USAF's latest portfolio acquisition, Exeter Trust House is conveniently located and offers accommodation to 123 students studying in Exeter.

In December 2009, USAF announced the successful and over subscribed conclusion of its capital raise, delivering £167 million of new equity inclusive of UNITE's co-investment. A substantial proportion of these commitments were secured from investors who have not previously invested in the Fund. Following the equity raise the number of unitholders in the Fund is now over 100.

A proportion of the proceeds were used to acquire a portfolio of five assets from UNITE for £95 million at a net initial yield of 6.35%. The portfolio comprised 905 bed spaces across five properties in London, Edinburgh, Exeter and Glasgow, further enhancing the Fund's portfolio of high quality, direct let student accommodation.

The disposals to USAF enables UNITE to continue its focus on growth through site acquisitions and the progression of future developments, whilst also maintaining an economic interest in the income generating properties held within USAF through its co-investment stake in the Fund.

The aggregate size of the Fund's portfolio following the acquisition in December 2009 is over £1 billion with 19,500 bed spaces in 58 properties across 18 UK markets.

The Fund now has the capacity to invest £200–£250 million in acquisitions from UNITE or other third parties. The Fund will also complete a programme of refurbishments of certain properties within its existing portfolio.

The ability to attract significant investment into the sector through USAF further demonstrates the institutional appetite for a diversified direct let portfolio of direct let student accommodation.



Phil White

Chairman and Non-Executive Director

UNITE has secured an enviable market leading position in the UK student accommodation sector. In doing so, it has developed skills and expertise that leave it well placed to succeed in the coming years.

Introduction

In my first set of full year results as Chairman of UNITE, I am delighted to report a robust financial performance for the business against a backdrop of the most challenging financial conditions I have ever experienced.

Much of 2009 was characterised by considerable uncertainty. At UNITE we responded carefully and decisively to the conditions we faced. We focused on moving the Group's operating business into profit, selling non-core assets at sensible prices, managing our borrowings and securing growth capital from a range of sources only when we felt the time was appropriate. In addition, we have carefully evaluated and refined our business model in the face of the emerging market conditions to ensure that our business is best placed to continue to deliver growth.

Financial results

Increasing balance sheet flexibility and moving our operating business into profit were our two key financial objectives for 2009. Both were successfully achieved.

- The Group reported a net portfolio contribution of £0.6 million for the year, a significant improvement over the loss of £5.4 million recorded at this level in 2008. This improvement was mainly attributable to strong like-for-like rental growth (+9.7%) and the successful reduction of operating costs. This was achieved despite the dilutive impact of the Group's effective ownership share of its operating portfolio income reducing from 54% to 50% as a result of the full year effect of assets being sold to USAF in late 2008;
- Group adjusted net debt fell from £531 million to £390 million and adjusted gearing from 131% to 92%, as a result of a programme of asset sales, the establishment of a joint venture with Oasis Capital Bank (OCB) to build out our 2010 development programme and the Group's successful Placing and Open Offer. Importantly, the Group was not forced to raise capital at a time when it would have been significantly dilutive to shareholders and all asset sales and capital raising initiatives were secured at prices which minimised any dilutive impact.

The Group's adjusted fully diluted NAV per share fell by 13% during the year to 265 pence (2008: 306 pence restated for the impact of the Placing and Open Offer in October), predominantly as a result of rising yields causing a decline in the valuation of the Group's investment and development portfolios in spite of the strong rental growth secured.

Investment yields for direct let student accommodation, which accounts for 88% of the Group's investment portfolio, have yet to show the extent of compression evident across the broader commercial property sector. As a result of this, and the fact that the majority of rental growth tends to be booked in the first half of each year, the Group's net asset value was broadly flat in the second half of 2009 save for two one-off items, each of which has been previously disclosed to shareholders:



- £10 million (6pps) of swap break costs incurred following the sale of a portfolio of assets to USAF in December and the repayment of associated senior debt. Following this, the Group's average cost of investment debt reduced to 5.6%.
- £4 million (3pps) of costs expensed in the second half relating to the final element of the 'Blueprint' restructuring and the cost of overcapacity at UMS, our modular manufacturing facility.

After taking these items into account, adjusted diluted net asset value declined by 11 pence per share from the restated position at 30 June 2009 of 276 pence per share.

The student accommodation market

Overview

The student accommodation market demonstrated remarkable resilience throughout 2009, despite the wider challenges faced by the UK economy. Following record applications, full-time student numbers increased by approximately 50,000 to 1.55 million whilst the net new supply of purpose built bed spaces was restricted to approximately 9,000 (source: King Sturge), the demand-supply gap in purpose built student accommodation is widening. These fundamentals contributed to another strong rental growth performance across UNITE's portfolio (+9.7%) and helped offset yield expansion of 50bps over the year.

The investment market

In common with all parts of the UK commercial property sector, the value of student accommodation assets fell during the first half of 2009. However, the fall in values was far less marked than in other sectors as strong rental growth helped offset the impact of rising yields. As a result, between January and June 2009, UNITE's investment portfolio fell in value by 2%, compared to a decline in general commercial property values of 13%, as measured by IPD.

In the broader commercial property sector, asset values showed clear signs of stabilisation in the third quarter before recovering strongly in the fourth quarter, driven by sharp compression in yields rather than rental growth. In the student sector, similar characteristics were evident for assets with long term lease agreements in place, where revenue risk is effectively underwritten by the university. Whilst the Group's focus on direct let assets has allowed it to deliver annual rental growth, the recovery in values has so far been less pronounced in direct let student accommodation, with the result that UNITE's portfolio value grew less strongly than the broader property market in the second half of 2009, with the average NOI yield moving in only 10bps to 6.7% from 6.8% at 30 June. We consider this an undemanding valuation, particularly as the yield shift was mostly attributable to an increased London weighting in the investment portfolio.

It is important to note that investor demand for diversified exposure to well managed direct let assets remains strong, as evidenced by USAF's successful £167 million capital raise in December. In 2010, with its significant investment capacity, USAF is likely to be one of very few large scale purchasers of purpose built direct let student accommodation assets. Much of the historic investment in the student accommodation sector has been funded with high levels of debt. We expect the lack of available high leverage today to restrict investment activity in the near term and possibly lead to buying opportunities for USAF and/or UNITE later in 2010. We are keen to see how this unfolds before we form a firmer view on investment yields.

The occupational market

UK student numbers continued to grow in 2009, driven by strong growth in accepted applications from both UK and international students, up 5% and 10% respectively. This provides a solid background for sector fundamentals although regional variations are continuing to emerge and a good understanding of these is critical to ongoing success. UNITE achieved 96.5% occupancy for the 2009/10 academic year, with like-for-like rental growth of 9.7%.

As at the end of February 2010, UNITE had reservations in place for the 2010/11 academic year across 59% of its portfolio, compared to 63% at the same time in 2009. Part of this lower reservations level is attributable to a higher direct let weighting in the portfolio (88% vs 85% in 2008) but we are also seeing evidence of consumers delaying buying decisions. However, with the significant demand-supply imbalance still prevalent in student accommodation and UNITE's proven sales and marketing capability, we believe that this will reverse substantially in the coming months.

Looking forward there are a number of planned or potential changes likely to have an impact on the future occupational market. These relate mainly to university and student funding. In the case of university funding, cuts amounting to £450 million have already been announced and more may follow. On balance, in light of the Group's strong reputation, specialist expertise and financial strength, we see this as presenting a new opportunity as universities increasingly seek ways to release capital from their estates or provide 'non-core' services, such as accommodation, more efficiently, by seeking a solid and experienced financial and operational partner.

The future of student funding is the subject of the Browne review, which is scheduled to report later in 2010. Many commentators expect this to lead to a further rise in tuition fees. A rise in tuition fees, were it to occur, may have some impact on domestic university applications. However, with applications currently well in excess of available places and the continued high demand from international students to study in the UK, we consider it unlikely that overall student numbers will fall in the near term. As a result, the demand-supply imbalance for purpose built accommodation is likely to remain significant.

9.7%

like-for-like rental growth

Our strategy

UNITE has secured an enviable market leading position in the UK student accommodation sector. In doing so, it has developed skills and expertise that leave it well placed to succeed in the coming years and extend its market-leading credentials:

- In-depth knowledge of the sector on a national and local level, informed by detailed research, which helps it to focus investment on locations that display the most attractive fundamentals;
- A professional and scalable operating platform from which it can deliver a consistent level of customer service and derive economies of scale as its portfolio of properties grows;
- A strong financial foundation, based upon a diverse range of capital sources, which has enabled the Group to grow without excessive reliance on any one source of capital and to have navigated the turbulent financial market conditions of the past two years;
- The potential to lock in higher returns through its 'developer and co-investing manager' business model. USAF provides its investors with access to a highly diversified, professionally managed portfolio in a resilient sector and provides UNITE with a dedicated, well funded purchaser of its completed and let development assets, and an ongoing management fee stream.

Looking forward, we have determined that the significantly different market environment in which we are now operating requires a further evolution of our strategy and business model. Development activity, traditionally our primary source of growth, will continue to provide attractive opportunities but we also recognise there is the potential to grow our business in other ways, particularly as our operating platform is more scalable than our balance sheet. We have identified four drivers of growth in the medium term:

- Targeted development activity

Following our successful Placing and Open Offer in October 2009, we have made solid progress in identifying new development sites in London, securing contractual or exclusive positions on three sites that we expect to deliver approximately 900 bed spaces for occupation in 2012 and 2013, in line with our target returns. The market for good development sites in London has proven to be extremely competitive and our strategy has been, and will remain, to pursue off-market transactions and avoid competitive bidding situations in order to protect shareholder returns. Additionally opportunities which we believe offer good value are beginning to emerge in a small number of

locations outside London where UNITE has an existing operational presence and we intend to pursue these as part of a balanced development strategy. Our plans remain to develop 4,000 to 5,000 new bed spaces for delivery and occupation between 2012 and 2014.

- Proactive asset management of existing student accommodation investments

We estimate that the wider student accommodation sector is likely to deliver rental growth in the region of 2% to 3% per annum in the medium term. By focusing carefully on the quality and location of its investment and operational portfolio, refurbishing and upgrading selected facilities profitably and further developing its market-leading on-line sales and marketing platform, the Group is well placed to outperform this sector benchmark significantly. We believe annual rental growth of 3% to 5% to be achievable.

- Acquisition and repositioning of existing student accommodation assets

Following its successful £167 million capital raise in December, USAF now has sufficient investment capacity to consider the acquisition of non-UNITE properties. Such acquisitions will be restricted to assets where UNITE is able to add value by applying its operating platform and expertise and may include assets where existing owners are forced to consider disposal as a result of unresolved financing concerns. Initially in 2010 the Group is seeking to acquire up to £100 million of such assets through USAF. UNITE will benefit from these acquisitions through its significant minority stake in USAF and increased management fees.

- Working in partnership with universities to develop, upgrade and manage their on-campus accommodation

At present we are aware of approximately 20,000 bed spaces where universities are considering outsourcing and we expect this number to rise further during 2010 as funding cuts prompt alternative strategies. UNITE would source the majority of capital for such opportunities from third parties, co-investing a smaller amount itself and acting and receiving fees as property and asset manager for the investing entity. With our proven track record in raising third party capital into the sector and our scalable operating platform, we are ideally placed to provide valuable solutions to universities in this area.

We believe that the above multi-tiered strategy will allow the Group to increase both profitability and net asset value in a balanced way in the coming years.

£12m

annualised cost savings

Dividend

In light of market conditions and the Group's decision to invest in development opportunities, we are not proposing a dividend for the year. We will consider re-instating the dividend as soon as the business is generating a meaningful level of profits such that any dividend would be properly covered.

People and organisation

Over the past two years we have pursued and recently completed a large scale programme of business change. We have re-engineered our core business processes, invested in technology to support these, up-skilled many of our customer-facing roles and invested heavily in training and development to sustain and build on these changes. As a result, we now have a highly professional and scalable national operating platform; something that I am confident is unique in our sector and a significant source of competitive advantage.

The financial impact of these changes is impressive, with £12 million of annual operating cost savings now secured. However, it is our targeted improvement in customer service quality that will ultimately be the most important outcome from this initiative and hold most resonance for students, universities and investors. We expect these results to become evident during 2010 and 2011 as our improvements are embedded.

The scale of change was considerable, with nearly 350 roles being materially affected and over 1,500 training days being provided through our dedicated facility in support of the new organisation. I am immensely proud of the way this change was planned and managed but, most importantly, embraced across the business. My thanks to our teams for their continued dedication and commitment.

We also experienced change at Board level in 2009. After ten years of dedicated service and counsel, Geoffrey Maddrell retired as Chairman in May and, at the same time, Nick Porter (who founded the Group in 1991) stepped down from his role as Non-Executive Deputy Chairman. I am grateful to both Geoffrey and Nick for their enormous contribution to UNITE and for their support to me as incoming Chairman.

Outlook

Following its actions in response to extremely challenging market conditions, UNITE has emerged from 2009 as a stronger business with an increased competitive advantage in its specialist sector.

The environment in which UNITE will be operating in the future is fundamentally different to that of the past. As a result we expect

to see significant changes in the ways universities approach their accommodation requirements, the demands of students as consumers and the nature of competition in the sector. I am confident that our strategy anticipates and understands these changes and, as a result, we are well placed to succeed.

We have four key priorities for 2010, closely aligned to our strategy:

- To deliver solid rental growth and occupancy across our portfolio for the 2010/11 academic year, through the continued application of our market leading on-line platform and proactive asset management and, as a result, grow profits. With demand/supply dynamics still favourable and our unrivalled sector expertise, we remain confident of securing annual rental growth in the region of 3% to 5%;
- To secure a development programme for delivery and occupation between 2012 and 2014, with a strong focus on London. We currently have three sites secured which we expect to deliver approximately 900 beds in London for 2012 or 2013 occupation. We aim to have 4,000 to 5,000 bed spaces of development secured by March 2011, of which the significant majority are expected to be in London. Development profits from this activity in 2010 are likely to be limited, taking into account the lead time required to secure planning consents. We would expect development profits to accrue from 2011 onwards;
- To acquire, through USAF, high quality existing student accommodation investments that the Group can then reposition and seek to add value. We expect USAF to acquire up to £100 million of such assets during 2010;
- To pursue a small number of university partnership opportunities, provided that the potential for the Group to add value and secure sustainable profits is clear and properly aligned with our strategy.

With our strategy in place, I believe 2010 will see the Group further establish the foundations for long term profitable growth.



Chalmers Street,
Edinburgh

The market for student accommodation has continued to demonstrate strong fundamentals with growing demand and limited new supply throughout 2009.

Overview

During 2009 there was significant uncertainty in the economy and both the property and higher education sectors, all of which had an impact on UNITE. The business responded carefully and decisively to these challenges at the beginning of the year, with the result that, in the latter part of the year, the Group was able to position itself to take advantage of the improved market sentiment and subsequent capital flows.

UNITE significantly strengthened its financial position in 2009 through a number of “self-help” measures. It continued to focus on its operational performance to deliver a profit for the year at the net portfolio contribution level, selling non-core assets at valuations ahead of its targets, securing a significant joint venture with a new partner, Oasis Capital Bank, and renegotiating maturities for a small number of debt facilities. These actions strengthened the Group’s financial position and consequently enabled it to raise £82 million from shareholders, at a small discount to net asset value, to fund its future development business. In December, the Group successfully raised £167 million of capital into the UNITE UK Student Accommodation Fund (“USAF”), providing the Fund with further capacity to acquire assets from UNITE and explore other acquisition opportunities.



Chief Executive,
Mark Allan (left),
pictured with Joe Lister,
Chief Financial Officer

Looking forward, it is evident that the environment in which UNITE operates has changed considerably and, indeed, is still changing. Conditions that have existed for much of the past ten years, such as the availability of cheap and abundant debt, rapid growth in student numbers and university funding and consistent economic growth can no longer be assumed for the future. However, this change in environment will also present new opportunities for a strong financial and operating partner such as UNITE and, using its sector expertise, the Group is refining its business strategy to ensure that it is best positioned to exploit these opportunities.

Having raised capital at a sensible price and reduced gearing to conservative levels, and unlike the majority of our peers in the student sector, UNITE and USAF are both now in a good position to invest in sector opportunities; UNITE specifically by acquiring development sites and USAF by securing direct let investment assets from parties other than UNITE. We believe that good acquisition opportunities exist as yields for direct let assets (an average of 6.7% for the UNITE portfolio at 31 December 2009) have not yet contracted to the same degree as yields in the broader commercial real estate sector or for student accommodation assets subject to long term leasing agreements with universities. However, for good quality assets that are well-managed, direct let rents continue to offer good growth prospects. This is clearly understood by investors, as demonstrated by the strong take-up for the USAF equity raise in December.

These decisive steps leave UNITE well positioned to take advantage of the opportunities that are emerging from this changing landscape.

The student accommodation market

Despite the dramatic deterioration in economic conditions and the financial markets in 2008 and the first half of 2009, the market for student accommodation has continued to demonstrate strong fundamentals with growing demand and limited new supply throughout 2009.

There was a further year of growth in the number of students attending university in 2009 with full time student numbers increasing by 50,000 to 1.55 million. By contrast, the new supply of beds delivered by corporate providers in the year was approximately 9,000 according to King Sturge thereby adding to the strong demand-supply imbalance prevalent in the UK market.

With the exception of the ongoing supply shortfall, the outlook, however, is less clear. Whilst the growth in the number of applications is continuing, with applications for the 2010/11 academic year up 23% according to UCAS figures released on 8 February 2010, there is clear emerging pressure on Higher Education budgets. The Higher Education Funding Council announced on 1 February 2010 that university funding would be cut for the 2010/11 academic year by £450 million. Of this, £215 million relates to teaching budgets representing a reduction of 1.6% in real terms which we believe is likely to lead to a reduction in the number of UK students being accepted onto courses in 2010. However, a CBRE report into university funding, issued in February 2010, has estimated that a substantial part of any fall is likely to be offset by growth in the numbers of overseas and post-graduate students and that the net fall in intake will be only between 3,000 and 4,000. The CBRE report also suggests that because the reduction in student numbers will be thinly spread across the UK and that there will be an increased trend for more affluent students to attend university, there should only be a limited impact on student accommodation in the 2010/11 academic year.



Orient House,
Fulham, London

50,000

Additional university students

The Browne Review of Higher Education funding and Student Finance, commissioned by Lord Mandelson, is also due to report later in 2010. There is a reasonable expectation that this could lead to an increase in the cap on tuition fees currently set at £3,225 per annum. However, any impact will be contingent on the result of the election later in 2010.

It is the Company's strong belief that, although the Higher Education budgetary pressures raise inevitable uncertainty about student numbers, this shift in funding patterns will actually create new opportunities for UNITE. Regional variances will begin to emerge and UNITE's research-led approach, in-depth market knowledge and sector leading position will ensure it will be well placed to take advantage of these opportunities. UNITE will also look to work closely in partnership with certain universities who are looking for innovative ways to fund and manage their existing and ongoing accommodation requirements in order to reduce costs and who will be attracted by UNITE's financial strength and operational reputation – especially compared to the majority of its peers.

Alongside the changing nature of the demand for student accommodation, there is an ongoing shift in the supply landscape. Whilst there is less activity from traditional competitors, the relative outperformance of the sector over the past few years has resulted in more capital targeting the sector. This is being seen most evidently through increased demand for investment properties subject to long term leases and for development sites in London that have planning permission in place.

By contrast a number of our traditional competitors are managing high levels of debt and gearing which has led to lower levels of investment activity from these parties. We will continue to monitor the position of these highly leveraged competitors closely in order to establish whether any investment opportunities might emerge.

Business strategy

UNITE is the UK's leading developer and co-investing manager of purpose built student accommodation, having developed and now operating a portfolio of approximately 38,300 purpose built bed spaces across the UK. From a financial perspective, the Group's objectives are twofold:

- To increase, over time, the value of its student accommodation related investments. These take the form of properties owned outright by the Group and stakes owned by the Group in various joint ventures and funds which themselves own student accommodation properties operated by the Group. We seek to grow value through proactive asset management, increasing the annual rent of completed investment properties, and through the targeted development of new properties. The key measure of value of our investments is net asset value (NAV) per share.

- To profit from the management of the Group's operational portfolio. Returns take the form of rent receivable from wholly-owned properties less interest payable on associated borrowings; dividends receivable from the Group's various stakes in funds and joint ventures and management fees receivable from third party investors in these funds and joint ventures. These sources of income are required to cover our central overhead costs and we measure profitability in the form of net portfolio contribution.

Historically, the Group's business model has been to develop new purpose built accommodation in carefully selected locations and let the property directly to students. Thereafter, it has sold the completed and let assets to funds or joint ventures managed by the Group and in which it has a significant minority stake. The Group has then reinvested a proportion of the proceeds into new development activity and continued to provide management services across the entire operational portfolio for the long term. We refer to this as the Group's 'developer and co-investing manager' business model.

Looking forward, this will continue to form a significant proportion of the Group's growth strategy. However, as the sector matures, we believe that the level of new development opportunities offering sufficient shareholder returns may start to reduce. In addition, we believe that the dramatic change in the economic environment affords us the opportunity to grow our business in other ways that will generate strong recurring income.

Taking the above into account we have identified four drivers of growth in the medium term:

1. Targeted development of new purpose built student accommodation

In October 2009 the Group raised £82 million of equity from its shareholders to pursue a London focused development strategy. We are committed to achieving strong returns from our development activities and believe that, in London, this is best achieved through pursuing "off-market" transactions rather than competitive bidding situations, where competition is currently very high and pricing levels above what the Group is prepared to pay.

The Group is making solid progress in its identification of appropriate London sites at present. However, having given careful consideration to prospective returns, we also believe that opportunities are beginning to emerge in a small number of carefully selected locations outside London where we already have an existing presence and infrastructure and where a demand-supply imbalance remains.

We plan to develop between 4,000 and 5,000 new bed spaces for delivery and occupation between 2012 and 2014.

£0.6m

Net portfolio contribution

2. Proactive asset management of existing student accommodation investments

Taking into account anticipated demographic changes over the next few years, we believe that average rental growth in the UK student accommodation sector generally will be in the region of 2% to 3% per annum in the medium term.

However, by focusing carefully on the quality and location of its investment and operational portfolio, by refurbishing and upgrading selected facilities and by further developing its market-leading on-line sales and marketing platform, the Group will be well placed to outperform this sector benchmark. We believe annual rental growth of between 3% and 5% to be achievable across the Group's portfolio.

3. Acquisition and repositioning of existing student accommodation assets

The Group has a clear track record of raising third party capital into the student accommodation sector, most notably through the establishment and evolution of USAF. As the student accommodation sector matures across the UK, the Group will seek to acquire operational assets from third parties; predominantly through USAF, where it believes an opportunity exists to add value through the application of its proven property and asset management capabilities. Acquisition opportunities may also arise as a result of the high levels of debt secured against assets owned and operated by some of our competitors and which might therefore be classified as "distressed".

The Group will benefit financially through its stake in the acquiring entity (such as USAF) and through fees received subsequently as property and asset manager. Initially in 2010, the Group is seeking to acquire up to £100 million of such property, using existing investment capacity within USAF.

4. Working in partnership with universities to develop, upgrade and manage their on-campus accommodation

UK universities are facing the prospect of further funding cuts over the next few years as the Government seeks to address its significant borrowing through reductions in public sector spending.

It is becoming clear that universities are increasingly seeking ways to generate capital from their estates and to provide "non-core" services, such as accommodation, in a more efficient manner. At present, we believe that universities across the UK are actively considering the outsourcing of a combined 20,000 bed spaces and we expect this number to rise in the future.

With its proven track record in raising third party capital into the student accommodation sector and its professional and scalable operating platform, the Group is ideally placed to be able to provide universities with a valuable solution in this regard. The Group itself would benefit financially from management fees receivable as well as receiving an appropriate return on any of its own capital that it chooses to co-invest into such opportunities.

The scale of opportunity in this area, in terms of bed spaces, could be significantly larger than the Group's ongoing development programme.

Financial results

The Group's financial performance, in common with the market generally, has been affected by the difficult market conditions experienced during the year. However, as a result of the strong sales and rental growth performance and the successful conclusion of the Blueprint programme (to re-engineer core processes, reduce operating costs and improve service quality), UNITE has delivered a profit at the net portfolio contribution level. These initiatives have also been an important factor in partially offsetting the impact of outward yield movements on net asset value.

Despite the resilience of the student accommodation market and the Group's strong operational performance, UNITE was not immune to the severe deterioration in valuations experienced across the commercial property market. In recognition of this and the impact of the current economic downturn, the Company acted quickly to accelerate or initiate a number of important measures to strengthen its financial position. In 2008, UNITE scaled back its development activity substantially and in 2009, it delivered £246 million of asset sales, including the assets sold to the joint venture it created with OCB, and secured £12 million of annualised operational cost savings.

Together these factors ensured UNITE was ultimately well placed to be able to raise capital through its Placing and Open Offer in October 2009. The issue was priced at a small discount to net asset value, thereby minimising the dilutive impact to its shareholders, and was sized at £82 million to allow the business to capitalise on development opportunities, predominantly in London, over the next two to three years. The continuing institutional investor appetite for the sector was further demonstrated in December, when USAF raised £167 million of new equity, thereby providing UNITE with further take-out capacity for its development programme.

£246 m

Asset sales

Income statement

The Group uses a net portfolio contribution profit measure to assess its operational business performance and this improved to £0.6 million for 2009 compared to a loss of £5.4 million in 2008. This measure has become increasingly important to the Group as it has focused on delivering a profit from this segment of its business. This follows a number of years when its performance was affected by the impact of selling significant volumes of assets, and thereby reducing its rental income streams, in order to realise profits for the development segment of its business and generate capital to fund further growth.

The strong sales and rental growth performance in 2009, together with new openings, underpinned the increase in total income from its managed portfolio to £164.3 million, an increase of 14% from 2008. In addition, the Group also generated £5.9 million from management fees as assets under management in joint ventures increased to £1,432 million as at 31 December 2009 from £1,345 million as at 31 December 2008. The Group's rental income was also affected by the dilution of UNITE's share of income from its total portfolio to 50% in 2009 from 54% in 2008 as a result of the £171 million asset disposal to USAF in December 2008.

	2009 £m	2008 £m
Total income from managed portfolio	164.3	143.8
UNITE's share of rental income	81.9	78.2
<i>UNITE share of total income</i>	50%	54%
UNITE's share of operating costs	(24.7)	(26.2)
Net operating income	57.2	52.0
<i>NOI margin</i>	70%	66%
Management fee income	5.9	4.9
Financing costs*	(43.0)	(42.3)
Operational overheads	(13.9)	(13.7)
Investment segment result	6.2	0.9
Corporate costs and share of joint venture overheads	(5.6)	(6.3)
Net portfolio contribution	0.6	(5.4)

* Includes loan interest, interest rate swap payments, finance income and operating lease rentals

The Group's Blueprint programme was completed in 2009. The programme has delivered annualised cost savings of £12 million, of which £10 million arose in 2009. Of these savings, £5 million have been recognised in the income statement.

These savings have offset an increase in the proportion of the Group's overhead costs being expensed through the income statement as the level of development activity (and therefore overhead capitalisation into projects) has declined. The cost savings were an important component behind the improvement in the Group's margin from 66% in 2008 to 70% in 2009.

The Group's gross financing costs (before interest capitalised) have reduced to £54.4 million from £65.2 million as a result of both the quantum of debt and the average interest rate during 2009. The amount of interest capitalised into development projects reduced to £10.9 million for 2009 (2008: £20.4 million).

The Group reported an adjusted loss for the period of £28.7 million (2008: £44.8 million). The components of this result are outlined in the following table:

	2009 £m	2008 £m
Net portfolio contribution	0.6	(5.4)
Development segment	(16.8)	(27.5)
Restructuring costs	(3.0)	(4.8)
Swap and loan break costs	(9.6)	(0.6)
Other	0.1	(0.4)
Provision against Landsbanki cash deposit	-	(6.1)
Adjusted loss	(28.7)	(44.8)

The principal components of the Development segment performance relate to the write-down in value of development property and land as a result of movements of yields during the year and the loss incurred by UMS as a result of its surplus capacity. These amounts were offset by development management fees from the OCB Joint Venture and profits on the sale of certain development assets.

As indicated in the Interim Statement for the six months to 30 June 2009, the conclusion of the Blueprint programme resulted in restructuring costs related to the implementation of changes to our customer-facing team structures. These amounted to £3 million in the year.

Following the sale of properties to USAF in December 2009, UNITE took the decision to pay down related swaps. This led to a one-off £9.6 million charge, but has reduced the Group's average cost of investment debt from 6.2% to 5.6%.

On an IFRS basis, the Group reported a loss after tax of £34.5 million (2008: £116.3 million).

14%

Increase in income from managed portfolio

Balance sheet

The dramatic falls in commercial property values in 2008 continued into the first half of 2009, with the IPD Index showing that UK commercial property values fell by an average of 13.2% in the six months to June 2009. As a result of UNITE's strong reservations and rental growth performance in the first half of 2009, the value of the Group's investments fell by a much smaller amount, an average of 2% over the same period.

In the second half of the year, this trend reversed with the IPD index showing that values increased by 8.7% as a result of yield compression, rather than rental growth. In the same period the value of UNITE's investments increased by 1% taking the overall reduction in values over the 12 month period to £14 million, representing a 1% fall over the year.

The average yield of UNITE's portfolio moved from 6.8% at 30 June 2009 to 6.7% at 31 December 2009, although approximately half of this movement reflects the impact of the greater London weighting of the investment portfolio following the completion of the 2009 development programme. As the value of UNITE's property did not fall as rapidly as in the broader property sector, so the recovery in values was also less marked. The second half NAV performance was also affected by the lower levels of occupancy in London as a result of stabilisation which meant that more conservative rents and occupancy assumptions were used to derive valuations. In our experience the impact of this should unwind as the assets stabilise.

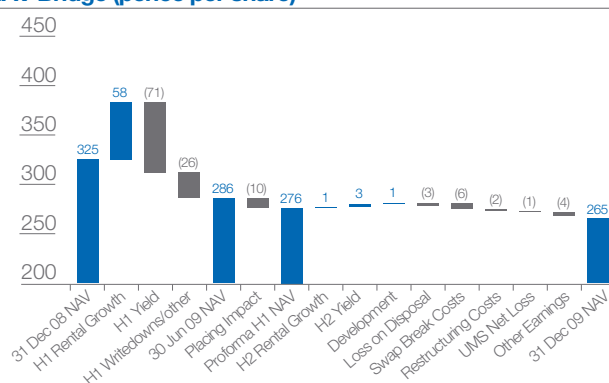
Reported net asset value attributable to UNITE shareholders was £366 million at 31 December 2009 (31 December 2008: £320 million). The Group's adjusted net asset value was £423 million or 265 pence per share on a fully diluted basis. This compares to 325 pence per share reported at 31 December 2008 and 286 pence per share at 30 June 2009. Adjusting for the dilutive impact of the Placing and Open Offer, the adjusted net asset value at 31 December 2008 and 30 June 2009 on a restated basis was 306 pence per share and 276 pence per share respectively.

As set out in the graph below, the main factors behind the reduction in adjusted net assets per share over the year were:

- A fall of 9 pence per share due to the revaluation of investment properties;

- A valuation reduction of 26 pence per share as a result of the downward revaluation or loss on disposal of development properties and land. The majority of this amount, 24 pence, was recognised in the first half of 2009;
- The cancellation of swaps reduced NAV by 6 pence per share;
- Restructuring costs associated with the Blueprint programme and the loss incurred by UMS as a result of over capacity reduced NAV by 3 pence per share;
- The dilutive impact of the Placing and Open Offer reduced NAV per share by 10 pence.

NAV Bridge (pence per share)



UNITE has proactively managed and consequently strengthened its balance sheet in 2009 such that it is now in a position to grow its business. The Group has reduced adjusted gearing from 131% to 92%, reduced adjusted net debt (adjusted to add back mark to market valuation) from £531 million as at 31 December 2008 to £390 million and dramatically improved covenant headroom across the key measures of loan to value, interest cover and minimum net worth.

The operating and investment portfolio

For the 2009/10 academic year, UNITE is operating 38,300 bed spaces across 129 properties. The Group's interest in these assets ranges from wholly owned, part-ownership through USAF, UCC or USV or as manager of properties held under long leaseholds.

	USAF*	UCC*	USV*	Wholly owned	Leased	Total	UNITE %
London							
Value	£94m	£329m	-	£245m	-	£668m	£358m
Beds	573	2,433	-	2,191	260	5,457	39%
Major provincial							
Value	£618m	-	£59m	£225m	-	£902m	£356m
Beds	12,962	-	1,383	4,433	2,036	20,814	38%
Other provincial							
Value	£221m	-	-	£121m	-	£342m	£157m
Beds	5,129	-	-	2,981	1,785	9,895	17%
Varsity							
Value	£70m	£41m	-	£34m	-	£145m	£58m
Beds	798	437	-	545	316	2,096	6%
Total at 31 December 2009							
Value	£1,003m	£370m	£59m	£625m	-	£2,057m	£929m
Beds	19,462	2,870	1,383	10,150	4,397	38,262	100%
UNITE investment	16%	30%	51%	100%			

* The value of properties represents the gross value; UNITE share is shown in the right hand column

The Group delivered like-for-like rental growth of 9.7% and 96.5% occupancy across the operating and investment portfolio for the 2009/10 academic year compared to 9.5% rental growth and 99% occupancy in 2008/09. The sales growth performance over the past two years has been exceptional, driven by the demand-supply imbalance and the professional focus of the Group's sales and marketing activities. Given the pressures on Higher Education funding, a more normalised level of rental growth of approximately 3–5% is anticipated over the next few years although this should still deliver outperformance in comparison to the student accommodation sector generally.

The overall level of occupancy across the portfolio has been affected by the impact of stabilisation in London. UNITE opened 1,526 new beds in London during 2009, a 39% increase in the number of beds under management in the city within a single year, along with a further 1,829 new beds being brought to market by competitors. The impact of stabilisation was more significant than we anticipated, but is in line with our previous experiences in other cities where the portfolio has increased significantly in size within a single year. We would expect new assets to stabilise, in terms of occupancy and rent levels, within one to two years of opening. Partially in response to the increased void rate caused by stabilisation, UNITE has successfully developed its approach to selling beds to students and universities in London on a semester basis which will provide additional revenue in the stabilising properties.

As at the end of February 2010, reservations had been received for 59% of the portfolio compared to 63% a year earlier. As set out in the Chairman's statement, there is evidence of consumers delaying buying decisions, which will always be more noticeable for the direct let market at this stage in the letting cycle.

However, with the significant demand-supply imbalance still prevalent in student accommodation and our proven sales and marketing expertise, we expect this to reverse substantially in the coming months.

	Beds	% Reserved 10/11 year	% Reserved 09/10 year	Like-for-like rental growth 09/10
USAF	19,462	56%	58%	9.9%
UCC	2,870	41%	48%	4.4%
USV	1,383	37%	54%	9.9%
Wholly owned/OCB	11,269	54%	65%	15.5%
Leased	4,397	99%	98%	5.3%
Total	39,381	59%	63%	9.7%

Operating costs and overhead

During 2009 the Group completed its Blueprint change programme, which has been running since late 2007. The programme will deliver £12 million of annualised cash savings of which £10 million has been recognised in 2009. Of these savings, £5 million will be reflected in the Group's income statement. These savings have offset an increase in the proportion of the Group's overhead costs being expensed through the income statement as the level of development expenditure (and therefore central overhead capitalised into development projects costs) has reduced.

The programme resulted in restructuring costs of £3 million being incurred in 2009. The Group does not expect any further exceptional restructuring costs to be incurred in 2010.

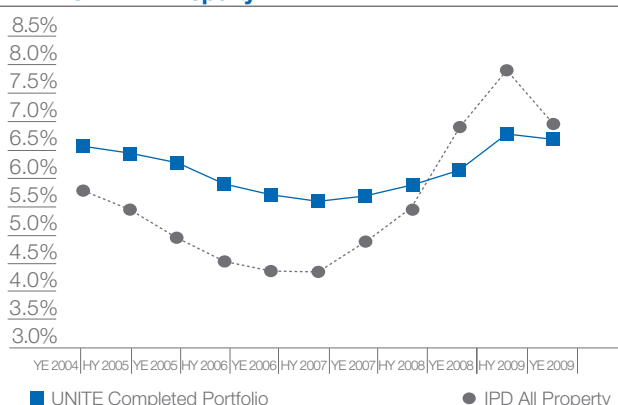
Investment portfolio valuation

The valuation of the Group's investment properties as at 31 December 2009, including its share of gross assets held in USAF and joint ventures was £929 million compared to £796 million at 31 December 2008. Valuation yields expanded significantly over the first six months of 2009, from an average of 6.2% across UNITE's assets at 31 December 2008 to 6.8% at 30 June 2009, thereby causing asset values to fall. Whilst not as marked as in other segments of the commercial real estate sector, yields began to stabilise and then contract over the second half of 2009, taking the average yield to 6.7% at 31 December 2009. The rental growth performance was an important factor in partially offsetting the outward movement of yields over the year, leading to relative outperformance against other types of real estate. Over the full year, UNITE's portfolio fell in value by an average of 1%, compared to a fall for the broader sector of 5.6%, as measured by IPD.

3–5%

Anticipated rental growth

UNITE vs IPD All Property NIY



The following table shows the movement in asset values by portfolio over the course of the year:

	31 Dec 2008 £m	Yield movement £m	Rental growth £m	Disposals/ completions £m	31 Dec 2009 £m	Avg NOI yield %
Wholly owned	484	(50)	44	147	625	6.6%
USAF	897	(58)	69	95	1,003	6.8%
UCC	390	(45)	25	—	370	6.4%
USV	58	(5)	6	—	59	6.9%
Total portfolio	1,829	(158)	144	242	2,057	6.7%
UNITE share	796	(72)	63	141	929	6.7%

There has been a significant increase in the volume of investment transactions undertaken by the Group in the second half of 2009. UNITE has sold £217 million of assets since June, at an average valuation yield of 6.4% compared to the average yield across its portfolio of 6.7%. The higher average yield in the December valuation when compared to transactional evidence partly reflects geographic differences but also a more conservative approach to valuing stabilising assets at the year end. We would expect both the gap between transaction and portfolio yields and the stabilisation impact on valuations to unwind over time.

During 2009, UNITE sold a total of £150 million of investment properties at an average yield of 6.4%, of which £95 million were sold to USAF and the remainder to external parties. In addition, UNITE sold its 2010 development pipeline to the joint venture it formed with OCB for £88 million and a further £8 million of land previously held for development. The evidence from transactions that have taken place since 30 June 2009 indicates that there is a gap emerging between yields for direct let assets and assets subject to leases or nominations agreements as investors are prepared to pay a premium for assets with secured income streams equivalent to a 50-75 bps keener yield. UNITE has focused increasingly on direct let assets over the past few years allowing it to drive consistent annual increases in rents. Investor demand for diversified direct let exposure is strong, as evidenced by USAF's successful equity raise and we believe this will translate to asset values over time.

	Valuation at Dec 08/Jun '09 £m*	Gross proceeds £m	Loss on disposal* £m
Investment assets	55	54	3
Land	13	8	4
Sales to joint ventures	187	184	4
	255	246	11

* Based on market value at December or June prior to sale, including any subsequent costs.

Development Management

Following the Group's decision in 2008 to significantly reduce its forward development pipeline commitments, the Group has focused on the delivery of its 2009 programme and the timely commencement of works on its remaining 2010 projects.

The Group delivered 2,853 beds across 14 properties for letting in the 2009/10 academic year, of which 1,526 beds are in London. The construction of the 1,119 beds that were sold to the OCB joint venture is progressing well. The assets are fully funded and on track to be delivered on time and to budget for occupation in September 2010 with a further £3 million of NAV (UNITE's share) to be recognised in 2010.

The Group has started to make progress in rebuilding its development pipeline. As at 1 March 2010, it has exchanged an option for one site and entered exclusive negotiations for a further two sites, comprising approximately 900 beds in total. The market for acquiring land in London, especially sites with planning permission, became more competitive over the second half of 2009. UNITE is unlikely to acquire sites in highly competitive bid situations, particularly where the product mix is studio biased or the location is not within our core target zones.

Sky Plaza,
Leeds



In order to address the currently high levels of competition for consented land in London, UNITE has focused on securing more sites 'off-market' from owner occupiers and, as a result, the acquisition of the pipeline is likely to continue into early 2011. Whilst taking longer than previously anticipated to secure sites, this approach will provide UNITE with greater opportunity to add value through the planning process. We will also review existing land holdings, valued at an aggregate of £33 million at 31 December 2009, excluding sites exchanged for sale, to review the feasibility of delivering beds in 2011. Capital expenditure in 2010 will be limited to option monies or deposits for land and for construction of any sites chosen for 2011 delivery and should not exceed £50 million in aggregate.

Banks have, to date, generally played a supportive role to their borrowers but this may well change in 2010. We will therefore maintain an active dialogue with the banks to assess what opportunities might arise from distressed assets as the leading specialist operator in this sector. In addition, certain cities outside of London are becoming more attractive from a development perspective as land prices continue to fall and the competition for sites is considerably less intense. The Group will continue to monitor a small number of key target cities outside London and consider acquisition opportunities during 2010.

UNITE Modular Solutions

To counter the impact of the recession, and specifically the scaling back of UNITE's development programme, UMS has been actively pursuing a number of opportunities to establish an external market for its modular units, both within and beyond the student accommodation sector. It was therefore encouraging to report earlier this year that UMS had secured its first third party contract in 2009, with Berkeley First Student, to supply and install 483 modules for a student accommodation development in Oxford. The contract has a total value of £5.8 million.

As outlined in November's Interim Management Statement, there has been a change in the accounting treatment for UMS as a result of the creation of the OCB joint venture, such that all trading is essentially now external and recognised in the income statement. As the factory is running below full capacity, a net loss of £1.1 million arises which has been taken through the income statement.

Looking forward, the level of UNITE driven production demand for UMS is likely to remain low until late 2011. There are a number of external contract opportunities that UMS is pursuing and we would expect to secure a proportion of these in the second half of 2010, which will utilise some of the plant's surplus capacity. However, given the high level of competition in the construction sector at present and consequently the pressure on margins, it is likely that UMS will remain loss making in 2010.

The commercial viability and advantages of UMS's products are proven and well understood. As a result, we are confident that the business will be well placed to benefit from a recovery within the next 18 months. At that time, with third party demand established and increasing, we will review the Group's long term investment in the business.

Livocity – accommodation for graduates

In March 2007 the Group stated its intention to pilot a new business, providing professionally managed rental accommodation for young professionals in London under the brand name "Livocity". Three projects, comprising 130 bed spaces, have since been completed and lettings progressed well. However, as outlined in the Interim Statement, taking into account the severe contraction in available financing over the past year, the likely continued rationing of capital for the foreseeable future and the impact of the economic downturn on graduate recruitment, the Group has decided not to extend this pilot programme further. The three Livocity assets are now being managed as part of our operational portfolio and, as such, there has been no significant impact on earnings or net asset value.

Co-investing asset management

UNITE acts as co-investing manager of four significant specialist student accommodation investment vehicles which it has established, as outlined in the following table:

31 December 2009							
Vehicle	Fund/JV	Established	Property assets £m	Net debt £m	Other liabilities £m	Adjusted net assets £m	UNITE share of adjusted net assets £m
USAF	Fund	2006	1,003	(393)	(14)	596	97
UCC	JV	2005	370	(247)	(5)	118	35
OCB	JV	2009	124	(50)	(12)	62	16
USV	JV	2004	59	(40)	(5)	14	7

UNITE UK Student Accommodation Fund

USAF generated a total return of 8% in 2009, placing it as the sixth best performing fund in the IPD Index for Pooled Funds. The Fund successfully raised £167 million of equity in December 2009 from a range of existing and new investors. Following the completion of the fund raise, USAF acquired a £95 million portfolio of assets from UNITE, at an average yield of 6.4%, and has capacity to acquire approximately £200 million of further assets, based on the Fund's target leverage, either from UNITE or third parties.

It has been confirmed that the Fund will be treated as a Priority Creditor in relation to its deposit in Landsbanki. Following the publication of a statement of recoverable assets and liabilities, it has been announced that Priority Creditors should recover the substantial part of their deposit. The timing of a recovery, and any legal challenge to the priority status remain as areas of uncertainty and therefore the full provision of £30 million within the Fund remains in place. UNITE's share of this provision is £6 million.

UNITE Capital Cities Joint Venture

UCC generated a total return of -14% in 2009. This was impacted by the stabilisation effect in London. UCC has fully invested all of its equity and will continue to focus on the operation of its investment assets and any asset management opportunities within its estate. Its return on equity since inception in 2005 is 18% per annum.

Oasis Capital Bank Joint Venture

In August, UNITE established a five-year joint venture with Oasis Capital Bank, a Bahrain-based investor, to develop three student accommodation properties in London with an estimated value on completion of £194 million. Having invested £13 million, UNITE has a 25% stake in the vehicle with OCB holding the remaining 75%.

The three properties to be developed in the joint venture, amounting to 1,119 bed spaces, represent the Group's entire 2010 development programme. The joint venture acquired the three projects for a consideration of £88 million, reflecting an anticipated development yield of approximately 8%, and will fund the remaining costs to complete them, anticipated at £69 million as at the transaction date. As part of the financing of the transaction, UNITE's existing banking facilities relating to each property were reduced by an aggregate of £14 million and transferred to the joint venture. As a result, the joint venture has access to total debt facilities of £109 million, of which £59 million was drawn as at 31 December 2009.

The transaction, completed in a very challenging market environment, clearly demonstrated both UNITE's ability to attract co-investment and grow its management business, building on the previous successes of UCC and USAF, and highlighted the relative resilience of the student accommodation market versus the wider commercial market.

The Group has been retained by the Joint Venture, and will receive fees, both as development manager for the duration of construction (a fee equivalent to 5% of build costs) and property and asset manager thereafter (70bps of gross asset value). A performance fee of up to £2.5 million is also payable at exit.

UNITE Student Village Joint Venture

USV, which owns one building located in Sheffield, generated a total return of 16% in 2009. Lehman Brothers, which owns the remaining 49% stake in USV, was placed in administration in October 2008. The administrators marketed the 49% shareholding in the Joint Venture during 2009 but were unable to meet their price aspirations. UNITE has certain pre-emptive rights with regards to the Joint Venture and will continue to monitor the situation going forward.

Financing

As a result of the proactive steps it has taken, the Group has significantly improved its financing position during the year to 31 December 2009 as follows:

- Adjusted net debt has been reduced from £531 million to £390 million;
- Adjusted gearing has reduced from 131% to 92%;
- Covenant headroom has increased across the key covenant measures; loan to value, interest cover and minimum net worth;
- Debt maturity has been extended, with facilities repayable before 2012 being reduced from £208 million to £nil;
- Debt capacity has been increased from £110 million to £220 million.

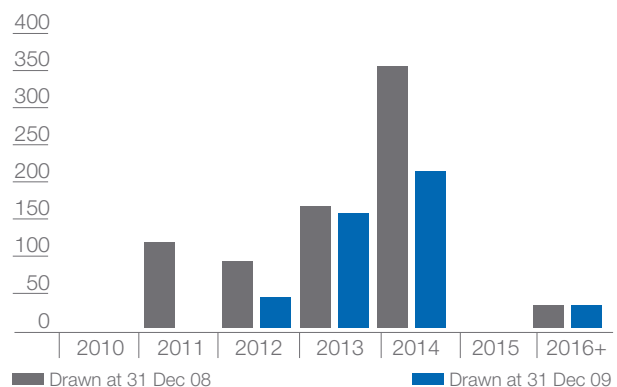
Key debt ratios for UNITE Group

	31 December 2009	31 December 2008
Group net debt (adjusted)	£390m	£531m
Adjusted gearing	92%	131%
Adjusted net debt to property assets	59%	65%
Weighted average debt maturity	4 years	4 years
Weighted average cost of investment debt	5.6%	6.2%
Proportion of investment debt hedged	75%	87%

The reduction in net debt has been driven by asset sales concluded during the year and the cash raised through the Placing and Open Offer in October. Going forward, the Group anticipates that adjusted gearing will increase as equity and debt are deployed into its development pipeline, but will seek to manage gearing within a strategic range of 100–130%.

The Group has extended the maturity of its loan facilities, such that the first maturity date has been extended until 2012. The Group currently has £220 million of debt capacity, of which £150 million can be used for development. A further £150 million of new debt will therefore be required during 2011 in order to deliver the Group's development plans. The Group paid careful attention to its banking relationships during 2009 and will continue to work closely with key lenders and build new relationships in order to deliver its funding strategy, enhance further the quality of its lenders, secure the requisite £150 million of new development capacity and renew or extend facilities over the next three years.

On balance sheet debt maturity (£m)



The Group is actively managing its interest cost base. During the course of the year, the Group terminated £80 million of interest rate swaps in order to benefit from the significantly reduced market rates and to ensure its hedging position more adequately reflects the risks of the business. An exceptional charge of £9.6 million arose from these terminations. As a result of these actions, 75% of the Group's investment debt was at fixed rates and the average cost of investment debt at 31 December 2009 was 5.6% compared with 6.2% at 31 December 2008. The Group has used £37 million of surplus cash to pay down revolving investment facilities that can be redrawn on demand.

The Group is in full compliance with all of its borrowing covenants at 31 December 2009 and continues actively to monitor all of its covenants. The covenant headroom position has improved on the three covenant measures as outlined in the following table.

	31 December 2009		31 December 2008	
	Weighted covenant	Weighted actual	Weighted covenant	Weighted actual
Loan to value	74%	59%**	76%	71%
Interest cover	1.08	1.63	1.10	1.35
Minimum net worth	£250m*	£423m	£250m	£406m

* based on greatest minimum net worth covenant

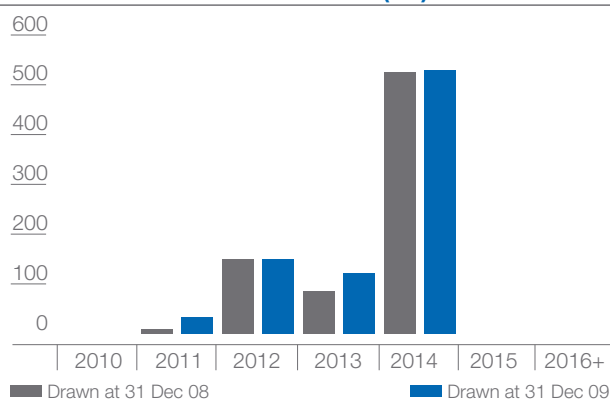
** if available cash is used to pay down debt, otherwise 68%

Debt facilities in co-investment vehicles

The break-down of debt facilities in co-investment vehicles is outlined in the following table:

	Debt at 31 Dec 09 £m	Average interest rate	% fixed/capped	Average maturity (years)	First maturity
USAF	477	5.4%	100%	3.9	Dec 2012
UCC	253	5.5%	100%	4.7	Sep 2014
OCB	58	3.9%	100%	2.7	Sep 2011
USV	45	5.5%	100%	2.6	Sep 2011

Co-investment vehicle debt maturities (£m)



Co-investment vehicle debt maturities

The funds and joint ventures are in full compliance with all of their borrowing covenants at 31 December 2009. USAF currently has £20 million of undrawn facilities and will require £130 million of new debt to utilise its full acquisition capacity and maintain its LTV at 50%. The other joint ventures are fully funded and do not require any new debt.

Dividend

In light of the market conditions and the Group's decision to invest in development opportunities, it will not re-instate a dividend until such point that the business is generating a meaningful level of profits such that any dividend would be properly covered.



People and organisation

UNITE's ability to adapt to changing circumstances continues to be underpinned by a strong values-based culture which, together with our commitment to first class people practices, makes our organisation a place to achieve a challenging, rewarding and meaningful career. Leadership and learning featured heavily across the organisation through 2009 as new processes and ways of working were embedded to provide improved customer focus throughout UNITE's buildings and working practices. The role of our people in delivering the strategic priorities of the business is clearly recognised through our approach to talent management and development. Throughout 2009 we focused our organisational development approach around ensuring our organisation is effectively designed to execute our strategy through the completion of our transformational change programmes. Key initiatives included:

- Organisation design – through both strategic and detailed organisation design initiatives, we redesigned the business around our core competencies of Development Management, Property Management, Asset Management and Fund Management. The detailed design work covered a number of areas including work processes, role accountabilities, information flows, key interactions, decision boundaries and skills and capability requirements. We also redesigned our key support functions (Finance, HR, Procurement, IT) to ensure lean, value-add support service delivery aligned to the goals of our core business units.
- Change management – through the delivery of our Property Management and Development Management change programmes, we continued to instill effective change management skills into our business. These core skills will stand us in good stead as we move to an environment of continuous improvement and strategic evolution through 2010.
- Employee engagement – we continued to work hard to engage our people with the priorities and change required across the business. Our employee survey benchmarked our organisation within the top 30% of UK companies. UNITE also featured in the Britain's Top Employers 2009 for Best Examples of HR Management.
- Ensuring our strategy is clear from the boardroom to the front line – we have embedded a high-quality business planning process to provide individual employees with a clear line of sight to our strategic goals. Our framework ensures that we have an aligned set of goals and clear performance measures, with a more integrated risk and resource planning process.
- Learning and development – we established our Property Management learning and development programme through our Training Academy in Birmingham. This purpose built facility, within our flagship student accommodation, is designed for inducting and training our customer facing teams in the consistent delivery of our customer service standards.
- Leadership development – we delivered a new programme to all managers on effective execution of strategy. We continued the roll-out of our core Leadership and Mentoring programmes ensuring leadership excellence.
- Performance management and reward – through our Personal Development Plans, we developed a consistent approach to performance measurement and management and clearly linked our reward structures to performance against key strategic priorities.
- Values/competency model – we used and further developed our core competency framework (Job Fitness Model) aligned to our values, for our business unit operations and support functions.
- Aligning our talent strategy to our business strategy – to ensure that we have the right mix of skills and expertise in senior roles. We are committed to investing in high performing individuals who exert the greatest degree of influence on company performance and we have tailored development plans for potential successors. We have added three new roles to our Leadership Executive with a focus on developing our business for growth and engaging our people with our strategic goals.

Looking ahead

The Group's actions during 2009 have moved the business on to a stronger footing. Consequently it is now well placed to adapt to a changing market environment and to take advantage of the opportunities that we expect to emerge as a result of funding cuts in UK Higher Education.

2010 seems likely to be a period of further uncertainty for the UK economy, not least because of the impending election and lack of clarity regarding the impact and future of the Government's stimulus package.

However, demand for student accommodation is based on strong fundamentals and with the Group's sound financial base and established operating platform, it is well placed to weather any near term volatility and prosper for the long term.

Sustainable living

UNITE is committed to effective environmental management to support sustainable environments in the communities in which it operates. As a major user of utilities with 129 multiple occupancy buildings under management, UNITE takes its responsibility for sustainable living very seriously, encouraging the responsible use of energy and resources in the buildings it manages and by its 38,300 customers.

UNITE measures and manages emissions by following the principles set out in the Green House Gas (GHG) protocol and employing measures to achieve energy savings in line with the requirements set out in the Carbon Reduction Commitment (CRC). These include combined heat and power units, on-site energy generation and smart metering.

In 2009, we undertook BREEAM assessments on six buildings which were rated “very good” or above confirming our commitment to thoughtful and progressive design in our property portfolio. Certified measures included thermal insulation, green roofs, biomass boilers, solar thermal collectors, detailed travel plans and enhanced lighting designs. UNITE will continue to undertake BREEAM assessments on all new builds.

It is the UNITE Group policy to focus on developing dilapidated inner city office space or other centrally located brownfield sites to contribute to regeneration and urban renewal. During 2009, all of our new buildings were built on brownfield sites or on land designated as regeneration areas.

We also maximise the use of electronic communication for our customers through state of the art online communications and booking systems to save on paper and postage.

UNITE Modular Solutions

Through its modular manufacturing facility, UNITE Modular Solutions, based in Stroud, Gloucestershire, UNITE promotes energy saving manufacturing methods through designing, building and transporting innovative modular designs. Modular techniques are recognised for reducing build time by up to half when compared with traditional methods, reducing waste, as well as offering significant reduction in associated energy use during construction, depth of foundations required and impact on local environment.

UNITE’s commitment to its communities

UNITE recognises its long term commitment to local communities and develops effective environmental management strategies to encourage sustainability. On average a 200-bed UNITE development will generate over £1 million of income for the local economy. UNITE’s purpose build student accommodation relieves pressure on houses with multiple occupancies, releasing these back to young professionals and families in the community.

Carbon emission summary 2009

In 2009, UNITE’s operating portfolio increased by 2,853 beds in 14 properties and has implemented a number of new initiatives including:

- Smart metering across all properties
- 10,000 water saving packs
- Robust feedback mechanism from operations to development to improve energy efficiency across new builds.

Residential operations 2009

	GHG scope	Energy kWh	Total CO2 tonnes*	% of total Carbon Emissions	% Change in CO2 compared to 2008
Residences gas	1	14,728,489	3,007	4.8%	
Residences electricity	2	107,893,505	58,982	94.5%	
		122,621,994	61,989	97.7%	0.04

*See below for emissions factors

Internal operations 2009

	GHG scope	Energy kWh	Total CO2 tonnes*	% of total Carbon Emissions	% Change in CO2 compared to 2008
Offices gas	1	226,642	46	0.1%	
Offices electricity	2	287,416	157	0.2%	
Manufacturing gas	1	1,755,454	358	0.6%	
Manufacturing electricity	2	1,206,585	660	1.0%	
		3,476,097	1,221	1.9%	-1.6%

*See below for emissions factors

Business travel 2009

Business Travel	GHG scope	Distance km	Total CO ₂ tonnes ¹	% of total Carbon Emissions	% Change in CO ₂ compared to 2008
Company cars	1	1,093,160	165	0.3%	
Commercial vehicles		**	**		
Private cars	1	417,758	64	0.1%	
		1,510,918	229	0.4%	-30.3%

¹ Compared to the total business travel from 2008 (including commercial vehicles). If commercial vehicles are excluded from 2008 calculations, the % change is -18.4%.

** Commercial Vehicles were reported on last year, but are now not accounted for within the UNITE holding company.

Key: GHG Scope 1 – refers to direct emissions which must be reported to comply with the GHG protocol.
GHG Scope 2 – refers to indirect emissions which must be reported to comply with the GHG protocol.

Conversion factors comparison (figure 2)

	2009	2008	
Electricity	0.547	0.537	kg/KWh
Gas	0.204	0.206	kg/KWh
Assumed car average emission (km weighted)		153	g/km

KPI table 2009

Business Travel	Measures (no. beds; no. modules; 000km)	CO ₂ kg	KPI	% Change in CO ₂ compared to 2008
Residential CO ₂ /bed	37,006*	61,989,258	1,675	0.0%
Manufacturing CO ₂ /module	1,929	1,018,015	528	-12.4%
Business Travel CO ₂ /000km	1,511	228,968	152	-2.0%

*No. beds averaged across the reporting year.

In 2009, the Group saw the results of UNITE's 2008 Sustainable Living Campaign which encouraged and supported its customers to reduce their energy and water consumption, and to actively encourage behavioural change in driving down its carbon footprint. This programme saw a strong uptake from customers. Once the implementation of measurement practices are established across the Group's buildings, UNITE will review the opportunity to roll-out a carbon reduction customer engagement campaign.

Corporate charity work

UNITE supports organisations who share its values of supporting students and nurturing entrepreneurial spirit. The UNIAID charity helps young people to take advantage of a university education by supporting them to manage their finances more effectively. UNITE works with UNIAID to provide accommodation bursaries to students. During 2009, UNITE continued its support for UNIAID by providing 55 students with free accommodation for the year.

UNITE also works with SIFE (Students in Free Enterprise), a global network of business executives, academic leaders and university students who believe in ethical enterprise. During 2009, we became a Gold sponsor of SIFE to mobilise university students around the world to make a difference in their communities whilst developing their skills to become socially responsible business leaders.

An important element of our corporate responsibility programme is also to support our people in their charitable fundraising. UNITE operates a charity match initiative, where the organisation matches the amount raised by an employee for their chosen charity (up to the value of £250). In the past six years UNITE has donated some £45,000 to its employees' chosen charities.

Woodland Court,
Islington, London



Risks and uncertainties

Risk description	Impact	Mitigation
Development Management risks		
Failure to secure sites at attractive prices	Unable to generate returns in line with plans	Skilled development team and strong reputation. Focus on off-market transactions
Failure or delays in obtaining planning consents	Cost of aborted schemes. Delayed schemes impacting financial returns	Established planning expertise. Low financial investment in schemes prior to grant of planning
Delays in completion of construction in time for the start of academic year or cost over-runs	Reduced financial returns and cash tied up. Impact on reputation with customers	Strong track record and focus on project delivery and strong relationships with construction partners with appropriate risk sharing. Use of UNITE's unique off-site manufacturing modular technology, reducing delivery and cost risk
Property and Asset Management risks		
Risk arising from short-term nature of tenancies – occupancy and rents	Revenues are uncertain. Reduced lettings as a result of economic downturn	Geographic diversification. Supply/demand imbalance. Strong sales and marketing expertise
General cost inflation, in particular on the cost of utilities	Reduced return on investment portfolio	Forward purchase of utilities. Annual opportunity to increase rent to recover additional costs
Fund Management		
Ability to determine strategy of Funds/JVs not in line with Group strategy	Conflicts of interest	Established separate fund management function
Risk of being forced to sell properties if redemption requests cannot be met	Properties sold below valuation	Contractual limits on redemption rate in USAF. Proactive management of fund investors, equity raising and alternative sources of finance
Financing		
Liquidity risk	Properties may be difficult to sell, potentially impacting cash flow	Management of debt maturity. Control of future cash commitments
Adverse interest rate movements	Reduced profitability	Hedge exposure with interest rate swaps
Breach of borrowing covenants	Debt becomes immediately repayable	Regular forecasting of covenant position. Proactive management of any potential issues

Risk description	Impact	Mitigation
Market risks		
Concentration of assets in student accommodation sector	Reduced student numbers impacting financial performance	Geographic diversification and in-depth market intelligence
Changes in Government policy may affect student numbers	May reduce demand and hence prices	Supply/demand imbalance is significant at present and demand from overseas is increasing. Strong sales and marketing expertise
Property markets are cyclical and performance depends on general economic conditions	Under/over performance of investment portfolio	Clear and active asset management strategy
Impact of changes in legislation, particularly in respect of environmental legislation and planning regulations	Increased cost of compliance leading to reduced returns or, in extremis, scheme cancellation	Highly developed skill base for managing planning process and building design. Minimum investment made in schemes prior to securing planning
General		
Attracting and retaining the best people	Critical to delivering business strategy	UNITE is a values-based organisation. This means we recruit to a clear set of behaviours and seek to develop people to their full potential with leading in-house learning and development. We measure employee satisfaction through regular surveys and act on employee feedback
Reputational risk with universities, students or parents	Reduced lettings, difficult to attract the best people and weaker relationships with university clients, planners and other stakeholders	Experienced brand, sales and marketing teams. Respond to customer feedback and strong focus on safety of our customers and staff with regular audits. Strong focus on meeting customer needs with research-based product and service development

Our process for managing risk is set out in more detail on page 36 of the Corporate Governance section of this Annual report.

28 Key performance indicators

Objective	Measure	Performance	
		2009	2008
To manage our assets effectively including the buying and selling of assets (see pages 15 to 17 of Business review)	Adjusted fully diluted NAV per share added (pence per share) This measures how much value has been added in the year to our balance sheet before one-off items (swap and loan break costs, £10m: restructuring, £3m).	(33)	(54)
	Assets sales in period (£m) This measures the value of assets sold in the period including assets sold from our co-investing vehicles.	246	388
	Net portfolio contribution (£m) This measures the contribution of our investment and stabilising properties to the business.	0.6	(5.4)
To maintain a strong and profitable development pipeline (see pages 19 to 20 of Business review)	Development NAV per share (pence per share) This measure indicates how much value our development activities have added in the year.	(21)	5
	Secured pipeline (£m) This measures the value of our future secured development pipeline.	67	495
	Planning permissions secured This measure indicates how successful we have been obtaining planning consents on our secured schemes and is a key driver of value.	1	10
To manage the strength of our balance sheet (see page 17 of Business review)	Adjusted net debt (£m) This measures the net indebtedness of the business and our ability to generate cash and control expenditure.	390	531
	Adjusted gearing (%) This measures the net indebtedness of the business as a proportion of adjusted net asset value.	92	131
To manage Funds/JV's efficiently, maximising medium-term total returns and maintain investor support and trust (see pages 20 to 22 of Business review)	Return on NAV This measure indicates a measure of the combined capital and revenue returns from our major co-investing funds.		
	USAF (%)	8.2	(21.6)
	UNITE Capital Cities (%)	(14.0)	10.5
To develop and retain high performing people, teams and leaders that live UNITE's values (see page 23 of Business review)	Employee satisfaction (%) Regular reviews carried out by independent agency to understand engagement.	62	63

The Board of Directors



1. Phil White CBE

Chairman

Phil, 60, was appointed Non-Executive Director in January 2009 and became Chairman in May 2009. The majority of Phil's executive career was spent in the public transport sector, during an exciting period of deregulation and privatisation. He was Chief Executive of National Express Group plc from 1997 to 2006, leading the business through a period of considerable growth both in the UK and overseas. Phil is currently Non-Executive Chairman of Kier Group plc and Non-Executive Chairman of Lookers plc. His experience gained in leading customer focused businesses, both in an executive and non-executive capacity, will be invaluable to the Group.

2. Mark Allan

Chief Executive

Mark, 37, was appointed to the role of Chief Executive in September 2006, having previously served as Chief Financial Officer for three years. Mark held a variety of other roles in the business prior to that, having joined the Group in 1999. As Chief Executive he chairs the Group's Leadership Executive and has overall responsibility for the Group's performance against its business plan targets, whilst continuing to develop UNITE's growth strategy.

3. Joe Lister

Chief Financial Officer

Joe, 38, joined UNITE in 2002. He was appointed as Chief Financial Officer in January 2008 having held a variety of roles within UNITE prior to that, including Investment Director. Joe is responsible for the Group's finances and investment strategy. As Chief Financial Officer, Joe is also responsible for the Company secretarial function and Chairs the Group's Major Investment Approval meetings. Prior to joining UNITE, Joe qualified as a chartered accountant with PricewaterhouseCoopers.

4. John Tonkiss

Chief Operating Officer

John, 42, joined UNITE in 2001 as General Manager of the Group's off-site manufacturing facility and subsequently was promoted to the role of Group Development Director in 2004. In 2006, John was appointed Managing Director of UNITE's Student Hospitality UK Business and, in 2007, was made UNITE's Chief Operating Officer to reflect his responsibility for strategic and tactical business operations throughout the Group.

5. Nigel Hall

Non-Executive Director, Senior Independent Director and Chairman of the Audit Committee

Nigel, 54, qualified as a Chartered Accountant in 1980 with Price Waterhouse, was Group Finance Director of Arcadia Group plc (formerly The Burton Group plc) until February 2003. He joined the Burton Group in 1984 and was appointed to its Board in 1997, becoming Group Finance Director in November of that year. Nigel is also Chairman of Countrywide Farmers plc and a Non-Executive Director of Pinewood Shepperton plc and C&J Clark Limited. With his considerable experience of finance and operations in multi-site businesses, Nigel provides strong leadership of the Audit Committee.

6. Stuart Beevor

Non-Executive Director and Chairman of the Remunerations Committee

Stuart, 53, is Managing Director of Grosvenor Fund Management Limited and a member of the Board of Grosvenor Group Limited, the international property group, which he joined in 2002. Prior to joining Grosvenor, Stuart was Managing Director at Legal and General Property Limited, having previously held a number of roles dealing with development, investment, property management and unitised funds at Norwich Union.

Stuart brings a knowledge of property investment, property funds and investor demand that uniquely supports the Board and the business in its role as a co-investing asset manager.

7. Richard Walker

Non-Executive Director

Richard, 43, is Senior Director at Talk Talk (Telco Arm of Carphone Warehouse Group) and is responsible for the customer experience change programme. Prior to this role, Richard was Chief Operating Officer of Carphone Warehouse UK, with responsibility for the Group's 750 UK stores, websites, direct sales and insurance services. Richard was previously Managing Director of Carphone Warehouse's European retail business, operating in 14 countries, and UK Sales Director. He holds a law degree from Nottingham University and trained as an accountant with Coopers and Lybrand.

His main supporting strengths are built around his operational expertise and 18 years of experience of having the customer at the heart of every decision made.

The Directors present their annual report and audited financial statements for the year ended 31 December 2009.

Principal activities

The principal activities of the Group during the year were the development and management of student residential accommodation in the United Kingdom. Details of the Company's principal subsidiaries are set out on page 78.

Operating and financial reviews

The information that fulfils the requirements of the Business Review can be found in the following sections, which are incorporated into this report by reference:

- Financial performance (pages 15 to 18)
- Key performance indicators (page 28)
- Risks and uncertainties (pages 26 and 27)

Further information on the Group's operations and financial affairs that are in addition to the requirements of the Business Review are set out on pages 2 to 29 of this report.

Profit and dividends

The Group loss for the year attributable to shareholders amounted to £34.9 million (2008: £115.9 million). The Directors do not recommend the payment of a final dividend for the year (2008: nil pence per ordinary share). No interim dividend was paid during the course of the year (2008: 0.83p per share).

Directors

Each of Messrs N P Hall, S R H Beevor, R Walker, M C Allan, J M Tonkiss and J J Lister served as Directors throughout the year. Mr G K Maddrell and Mr N A Porter respectively acted as Chairman and Deputy Chairman until 15 May 2009, on which date they both stood down from the Board.

On 21 January 2009, Mr P M White was appointed to the Board, as an additional Non-Executive Director of the Company and as Chairman Designate. Mr White became Chairman of the Board on 15 May 2009.

Each of Messrs R S Walker and J M Tonkiss, who retire by rotation, offer themselves for re-election at the annual general meeting of the Company which has been convened for 18 May 2010 (the "Annual General Meeting"). Brief biographies of all the Directors, including those standing for re-election, are set out on page 29. Those biographies describe the reasons why those of the Directors standing for re-election should be re-elected.

Directors' interests

The interests of the Directors and their families in the ordinary shares of the Company are set out below. Details of Directors' share options are set out in the Directors' Remuneration Report.

Directors	Ordinary shares of 25p each 31 December 2009	Ordinary shares of 25p each 31 December 2008
M C Allan ¹	838,053	363,006
J M Tonkiss ²	362,392	148,832
J J Lister ³	393,715	87,121
P M White ⁴	10,000	–
N P Hall	17,849	9,849
S R H Beevor	–	–
R S Walker	10,000	–

- 1 Mr Allan's interests include 594,484 ordinary shares conditionally awarded to him pursuant to the terms of the Company's Long Term Incentive Plan (the "LTIP"). The number of such shares that will unconditionally vest in Mr Allan pursuant to those awards will be determined following the end of the relevant three-year measurement periods.
- 2 Mr Tonkiss's interests include 327,269 ordinary shares conditionally awarded to him pursuant to the LTIP. The number of such shares that will unconditionally vest in Mr Tonkiss pursuant to those awards will be determined following the end of the relevant three-year measurement periods.
- 3 Mr Lister's interests include 293,043 ordinary shares conditionally awarded to him pursuant to the LTIP. The number of such shares that will unconditionally vest in Mr Lister pursuant to those awards will be determined following the end of the relevant three year measurement periods.

None of the Directors has a beneficial interest in the shares of any other Group company. Since December 2009, there have been no changes in the Directors' interests in shares.

Changes in share capital

During the year, 2,108 ordinary shares of 25p each were allotted and issued pursuant to the exercise of options granted under The UNITE Group plc Savings Related Share Option Scheme at a price of 188p per share. In addition, a total of 427,926 ordinary shares were allotted and issued pursuant to the exercise of options granted under The UNITE Group plc Unapproved Company Share Option Scheme (373,229 at a price of 146.5p per share; and 54,733 at a price of 191p per share).

On 9 April 2009, the Company also allotted and issued 2,041,059 ordinary shares of 25p each at a price of 92.75p per share pursuant to the Group's LTIP and on 6 October 2009, a further 32,819,972 ordinary shares of 25p each were allocated and issued pursuant to a placing and open offer at a price of 250p per share.

Substantial interests in the share capital of the Company

As at 3 March 2010, those shareholders, other than Directors, who had notified the Company of a disclosable interest amounting to 3% or more of the total voting rights in the Company were as follows:

Shareholder

	Percentage of Share Capital
FMR LLC	5.18
Cohen & Steers Inc	4.98
J P Morgan Asset Management Holdings Inc	4.92
Lloyds TSB Group plc	4.90
AXA S.A.	4.84
Morgan Stanley Investment Management Ltd	4.80
Legal & General Group plc	3.95
FIL Limited	3.66
Orange European Property Fund NV	3.62
Perennial Investment Partners (Australia) Limited	3.61
Allianz SE	3.22

Donations

The Company made no political donations during the course of the year but made charitable donations of £15,000 to UNIAID Foundation (2008: £15,000) and £15,000 to Students in Free Enterprise (2008: £5,000). The Company also donated 55 accommodation bursaries across the UK for the 2008/09 academic year to UNIAID Foundation equating to £275,936 (2008: £247,500).

In addition, the Company made donations to a number of charities through its "matched funding" policy. Pursuant to that policy, the Company agrees, subject to certain conditions and limits, to match the donations made to charities by employees through fund raising activities of their own. During the year, those "matched funding" donations of the Company amounted in aggregate to £5,673 (2008: £6,206).

Policy and practice on payment of creditors

During the year the Company maintained its policy of agreeing and abiding by supplier payment terms. The Group has not followed any recognised code for payment practice. As at 31 December 2009 the Group's trade creditors were equivalent to 27 days' purchases (2008: 32 days). The Company does not have any trade creditors (2008: nil).

Health and safety

The Group's policy is to provide and maintain safe and healthy working conditions, equipment and systems of work for all its employees and to provide such information, training and supervision as they need for this purpose.

The Group continues to advance its development of a transparent, scalable and robust safety management system.

Employment policies

The Company encourages employee involvement and consultation and places emphasis on keeping its employees informed of the Group's activities and financial performance. To that end, the UNITE Employee Forum has been established, consisting of elected representatives from across the business.

The UNITE Code of Ethics (the full text of which can be found on the Company's website), confirms that the Group seeks at all times to conduct its business in accordance with, and to ensure that each of its employees and Directors adheres to, the highest standards of business and personal ethics. An independent "whistle-blowing" channel also enables employees to report any incidents of improper or illegal conduct of which they may become aware whilst, if they wish, maintaining their anonymity.

The UNITE Group plc Long Term Incentive Plan was introduced in 2005 with the aim of being better able to structure remuneration packages so as to retain, motivate and reward selected Executive Directors and Senior Managers. It is anticipated that a new SAYE option scheme (to replace the scheme originally put in place in 1999), in which all employees will be eligible to participate, will be introduced during the course of the year.

The Company operates a non-discriminatory employment policy. Full and fair consideration is given to applicants for employment from the disabled where they have the appropriate skills and abilities and to the continued employment of staff who become disabled. The Company places particular emphasis on and encourages the continuous development and training of its employees and the provision of equal opportunities for the training and career development of disabled employees.

Auditors

A resolution for the re-appointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

Disclosure of information to Auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Annual General Meeting

The Annual General Meeting of the Company will be held at The Core, 40 St Thomas Street, Bristol BS1 6JX at 9.30 a.m. on 18 May 2010. Formal notice of the meeting is given on pages 93 and 94.

In addition to the ordinary business of the meeting, Resolution 6 will be proposed as an ordinary resolution to grant the Directors authority to allot shares in the Company, and grant rights to subscribe for or to convert any security into shares of the Company, up to an aggregate of nominal value of £13,302,275 (representing approximately one third of the issued share capital of the Company as at 3 March 2010). In accordance with guidelines issued by the Association of British Insurers, this resolution also grants the Directors authority to allot further equity securities up to an aggregate nominal value of £13,302,275, again representing approximately one third of the nominal value of the issued ordinary share capital of the Company as at 3 March 2010. This additional authority may only be applied to fully pre-emptive rights issues.

Resolution 7 will be proposed as a special resolution to authorise the Directors to allot equity securities for cash other than in accordance with statutory pre-emption rights (which require a company to offer all allotments for cash first to existing shareholders in proportion to their holdings), in respect of the allotment of shares in connection with any rights issue or other issue by way of rights and otherwise up to an aggregate nominal amount of £1,995,341 (representing approximately five per cent of the issued share capital of the Company as at 3 March 2010).

The Board has no current intention of exercising either of the authorities conferred by the above resolutions. Unless revoked, varied or extended, those authorities will expire at the conclusion of the next Annual General Meeting of the Company or the date following 15 months from the passing of the resolutions, whichever is the earlier.

In addition to the share allotment authorities referred to above, two further items of special business will be proposed at the Annual General Meeting. The first (Resolution 8), is a special resolution to allow general meetings of the Company, other than annual general meetings, to be called upon not less than 14 clear days' notice, in accordance with the Shareholders' Rights Regulations. The Directors will only utilise this authority to hold meetings on less than 21 clear days' notice where it considers it to be in the best interest of shareholders. The second (Resolution 9), also a special resolution, relates to the abolition of the Company's authorised share capital and the adoption of revised articles of association following the full implementation of the Companies Act 2006 in October 2009. The principal changes are as follows:

The Company's objects

Prior to the full implementation of the Companies Act 2006, the provisions regulating the operations of the Company were set out in the Company's memorandum and articles of association. The Company's memorandum contained, among other things, the objects clause which set out the scope of the activities the Company is authorised to undertake. This clause was drafted to give a wide scope.

The Companies Act 2006 significantly reduced the constitutional significance of a company's memorandum. The Companies Act 2006 provides that a memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in the company. As of 1 October 2009, the objects clause and all other provisions which are contained in the Company's memorandum are deemed to be transferred to the Company's articles of association. The Company is now permitted to remove these provisions by special resolution.

Further, the Companies Act 2006 states that unless a company's articles provide otherwise, that company's objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason the Company is proposing to remove its objects clause together with all other provisions of its memorandum which, by virtue of the Companies Act 2006, are treated as forming part of the Company's articles of association with effect from 1 October 2009. Resolution 9(a) confirms the removal of these provisions for the Company. As the effect of this resolution will be to remove the statement currently in the Company's memorandum of association regarding limited liability, the revised articles of association (the "New Articles") also contain an express statement regarding the limited liability of shareholders.

Articles which duplicate statutory provisions

Provisions in the Company's existing articles of association (the "Existing Articles") which replicate provisions contained in the Companies Act 2006 are in the main amended to bring them into line with the Companies Act 2006.

Authorised share capital and unissued shares

The Companies Act 2006 abolishes the requirement for a company to have an authorised share capital and the New Articles reflect this. Directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under the Companies Act 2006, save in respect of employee share schemes.

Redeemable shares

Under the Companies Act 1985, if a company wished to issue redeemable shares, it had to include in its articles the terms and manner of redemption. The Companies Act 2006 enables directors to determine such matters instead provided they are so authorised by the articles. The New Articles contain such an authorisation. The Company has no plans to issue redeemable shares but if it did so the Directors would need shareholders' authority to issue new shares in the usual way.

Authority to purchase own shares, consolidate and sub-divide shares, and reduce share capital

Under the Companies Act 1985, a company required specific enabling provisions in its articles to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital or other undistributable reserves as well as shareholder authority to undertake the relevant action. The Existing Articles include these enabling provisions. Under the Companies Act 2006 a company will only require shareholder authority to do any of these things and it will no longer be necessary for articles to contain enabling provisions. Accordingly certain of the relevant enabling provisions have been removed in the New Articles.

Suspension of registration of share transfers

The Existing Articles permit the Directors to suspend the registration of transfers. Under the Companies Act 2006 share transfers must be registered as soon as practicable. The power in the Existing Articles to suspend the registration of transfers is inconsistent with this requirement. Accordingly, this power has been removed in the New Articles.

Notice of general meetings

The Companies Act 2006 requires that the notice of a company's general meeting now contains certain additional information, and this is reflected in the New Articles.

Adjournments for lack of quorum

Under the Companies Act 2006 as amended by the Shareholders' Rights Regulations, general meetings adjourned for lack of quorum must be held at least 10 clear days after the original meeting. The Existing Articles have been changed to reflect this requirement.

Proxies

Under the Companies Act 2006, proxies are required to vote in accordance with instructions given to them. Where the same proxy is appointed by more than one shareholder, and the instructions given to that proxy are to vote in different ways, that proxy will be entitled to vote more than once on a show of hands to reflect the instructions given to him. This is reflected in the New Articles.

General

Generally the opportunity has been taken to bring clearer language into the New Articles and in some areas to conform the language of the New Articles with that used in the model articles for public companies produced by the Department for Business, Innovation and Skills.

A copy of the New Articles, and the Existing Articles marked to show the changes being proposed, will be available for inspection at the registered office of the Company and at the offices of Osborne Clarke, One London Wall, London EC2Y 5EB during usual business hours on any week day until the Annual General Meeting and will also be available for inspection at the place of the Annual General Meeting from 9.15 a.m. on the day of the meeting until its conclusion.

Disclosures

The Company's share capital is made-up of one class of ordinary shares, which carry no restrictions on transfer or voting rights (other than as set out in the Company's articles of association).

Details of those persons who have significant holdings of shares in the Company are set out on page 31 under the heading "Substantial interests in the Share Capital of the Company". No holder of shares in the Company has any special rights with regard to the control of the Company, nor does the Company have an employee share scheme, shares in relation to which have rights with regard to the control of the Company.

There are no agreements known to the Company between holders of shares in the Company which may result in restrictions on the transfer of shares or on voting rights in relation to the Company.

The Company has no rules regarding the appointment and replacement of Directors or regarding the amendment to the Company's articles of association, save as set out in the Company's articles of association.

Other than certain of the Group's banking facilities, there are no significant agreements to which the Company is a party that effect, alter or terminate upon a change of control of the Company following a takeover bid. Nor are there any agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid.

Details of proposals to be put to the Annual General Meeting in relation to the power of Directors to issue shares in the Company are set out above under the heading "Annual General Meeting". The Directors have no authority to buy-back the Company's shares.

By order of the Board

A D Reid
Secretary

3 March 2010

During the course of the year, the Company complied with the principles of best practice set out in Section 1 of the Combined Code issued by the Financial Reporting Council in June 2006 and as subsequently amended (the “Combined Code”).

Board of Directors

The Company’s corporate governance procedures provide that the full Board of Directors shall meet at least six times a year. During 2009, there were 11 meetings of the full Board, all of which were attended by each of the Directors then appointed, other than one, which Mr S R H Beevor was unable to attend.

The Board receives regular reports from each of the Group’s business units, but itself retains full and effective control of the Group’s activities, with a formal schedule of matters specifically reserved for decision by the full Board. In particular, the full Board sets the strategic objectives, business plan and annual budgets for the Group, with major investment decisions also requiring Board approval. Operational responsibility is delegated to the Group’s Leadership Executive.

Terms of reference have been set by the Board for its various committees and for the Chairman and the Chief Executive. The terms of reference for the Chairman and the Chief Executive are such as to clearly establish the division of responsibility between the two roles. In addition, all Directors have access to the advice and services of the Company Secretary, whilst procedures are in place allowing for individual Directors to take independent legal advice. A programme for the training of Directors has been put in place.

The current Board consists of three Executive Directors, namely Mr M C Allan (Chief Executive); Mr J M Tonkiss (Chief Operating Officer); and Mr J J Lister (Chief Financial Officer), as well as Mr P M White (Chairman), Mr N P Hall (Senior Independent Non-Executive Director) and two other Non-Executive Directors (Messrs S R H Beevor and R S Walker). Mr G K Maddrell and Mr N A Porter respectively served as Chairman and Deputy Chairman until 15 May 2009, on which date they stood down from the Board. Mr P M White, who was appointed an additional Non-Executive Director and Chairman Designate on 21 January 2009, became Chairman of the Board on 15 May 2009.

Each of the current Non-Executive Directors, is considered by the Board to be independent of management and free from any personal, business or other relationship with the Group, save for the receipt of Directors’ fees and interests in shares of the Company. The Company therefore meets the requirement of the Combined Code in relation to members of the FTSE 350 (to which the Company was re-admitted in December 2009), that at least half of the Board (excluding the Chairman), is made up of independent Non-Executive Directors.

Each of the Executive Directors has a written service contract, whilst each of the Non-Executive Directors has a formal letter of engagement. Executive Directors have rolling contracts of employment with 12 months’ notice periods, whilst Non-Executive Directors are appointed by the full Board for a term not exceeding three years. The letters of appointment relating to the Non-Executive Directors are available for inspection at the Company’s registered office during normal business hours and for the 15 minutes prior to and during the Annual General Meeting.

The Board has appointed an Audit Committee, a Remuneration Committee and a Nominations Committee. The terms of reference for each such committee (which are published on the Company’s website) are reviewed annually by the relevant committee, as is the effectiveness of each such committee. Set out below are sections describing the work of the committees in discharging their respective responsibilities.

Audit Committee

During the year, the Audit Committee comprised Messrs N P Hall, S R H Beevor and R S Walker, all being independent Non-Executive Directors. Mr Hall acted as Chairman of the Audit Committee throughout the year. Mr Hall is a Chartered Accountant and was, until February 2003, finance director of Arcadia Group plc (formerly The Burton Group plc).

During the year, the Audit Committee met on four occasions, all of which meetings were attended by each of its members.

The Audit Committee meets with the Chief Financial Officer and with the external auditors and reviews the annual accounts and the preliminary and interim financial results announcements prior to submission to the Board. The Audit Committee also reviews compliance with accounting standards, the scope and extent of the external audit programme and the appointment, independence and remuneration of the auditors. The Chairman of the Audit Committee reports to the Board on matters discussed at meetings of the Audit Committee.

During the course of the year, the Audit Committee reviewed the need for an internal audit function within the Group. The conclusion of that review was that, in view of the existing controls in place (including an operational compliance audit regime), and the size of the Group, a Group internal audit function was not required. However, the position is being kept under review.

The Audit Committee has established a formal policy with regard to the Company's appointment of the external audit firm for the supply of non-audit services. In addition, the Audit Committee reviews any potential threat to the objectivity and independence of the external auditor, including, in particular, those potential threats identified by the Auditing Practices Board in its independence guidelines. The Committee determines and then reports to the Board, whether or not it is satisfied that the independence of the external auditor is not jeopardised, taking into account the external auditor's own submissions to the Committee and/or the Board.

During the course of the year, the non-audit services provided to the Group related to tax advisory and compliance matters; and work relating to the placing and open offer undertaken by the Company in September 2009.

Remuneration Committee

During the year, the Remuneration Committee comprises Mr S R H Beevor (who acted as Chairman), Mr N P Hall and Mr R S Walker (all being independent Non-Executive Directors), together with Mr G K Maddrell (until he stood down from the Board on 15 May 2009), and Mr P M White (as from 4 September 2009). As Mr Maddrell, who was Chairman of the Company until 15 May 2009, was considered independent on his appointment to that role, his membership of the Remuneration Committee was in accordance with the provisions of the Combined Code, as amended in June 2006. Likewise, Mr P M White, who became Chairman of the Board on 15 May 2009, was considered independent on his appointment to that role, in which case his membership of the Committee is also in accordance with the provisions of the Code.

The Committee determines remuneration policy and advises the Board accordingly. In particular, the Committee makes recommendations regarding the terms of employment of Executive Directors and senior managers, including terms of remuneration, long term incentive plan awards and other incentives. Mr M C Allan is invited to attend meetings of the Remuneration Committee but takes no part in the discussions concerning his own remuneration and does not attend those parts of the meetings of the Committee that consider that issue. The Directors' Remuneration Report is set out on pages 38 to 44.

During the course of 2009, five meetings of the Remuneration Committee were held, all of which were attended by each of the then current members of the Committee.

Nominations Committee

During the year, the Nominations Committee was, until he stood down from the Board on 15 May 2009, chaired by Mr G K Maddrell (other than for meetings where the appointment of a new Chairman to the Board was being considered, in which cases Mr N A Porter, who was then Non-Executive Deputy Chairman, chaired the Committee). Mr P M White took over as Chairman of the Nominations Committee on his appointment as Chairman of the Board on 15 May 2009. The exact composition of the Committee is variable, provided that each meeting has a majority represented by independent Non-Executive Directors. During the course of 2009, two meetings of the Nominations Committee were held, each of which was attended by Messrs P M White, N P Hall, S R H Beevor, R S Walker and M C Allan.

The Committee is responsible for making recommendations to the Board on any appointment or re-appointment to the Board and at senior executive level. It is also responsible for ensuring that plans are in place for an orderly succession of appointments to the Board and at senior management level, so as to maintain an appropriate balance of skills and experience within the Company and on the Board.

The process for evaluating the performance of the Executive Directors flows from the setting of the overall business strategy for the Group. Once agreed by the Board, the Executive Directors produce divisional strategies and milestone action plans designed to deliver the agreed overall strategy. Such strategies and plans, which are challenged and may be revised prior to being ratified by the Board, then form the basis of personal objectives that are set for each of the Executive Directors.

The performance of the Non-Executive Directors is reviewed annually by the Chairman, whilst the performance of the Chairman is considered annually by the Non-Executive Directors (in the absence of the Chairman), in both cases taking account of the views of the Executive Directors. The Chairman and the Non-Executive Directors (also on an annual basis), meet to consider the overall effectiveness of the Board and its Committees. Those meetings are then followed by full Board review meetings, which are attended by all members of the Board.

Internal Control

The Board has overall responsibility for the Group's system of internal control. However, such a system is designed to achieve business objectives and can only provide reasonable and not absolute assurance against material mis-statement.

The provisions of the Combined Code in respect of internal controls require that directors review all controls including operational, compliance and risk management, as well as financial control. Through reports from the Group's Leadership Executive, the Board has reviewed the effectiveness of the Group's system of internal controls for the period covered by the annual report and accounts and has concluded that such controls were effective throughout such period.

The Company has an established framework of internal controls which, amongst other things, includes the following:

Financial reporting

The Group has a comprehensive budgeting system with an annual business plan approved by the Board. Operating results and cash flows are reported on monthly and compared against budget. Forecasts are reviewed throughout the year and revised as necessary. The Company reports to shareholders on a half-yearly basis.

Investment appraisal

The Company has clearly defined guidelines for capital expenditure. These include annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements where investment or development properties are being acquired. Post-investment appraisals are performed for major investments.

Business risk assessment

The Group has developed a comprehensive risk management system whereby strategic threats to the business are identified and the management and control of those threats prioritised. As a result of this system, the Board is satisfied with the high level controls in place, although all areas of the business are kept under review and new controls introduced as appropriate. An analysis of the more important risks and uncertainties faced by the Group is set out on pages 26 and 27. The Group's objectives and policies with regard to the management of financial risks are set out in note 20 to the Financial statements.

Social responsibility

The Company has formal procedures for considering the significance to its business of social, environmental and ethical (SEE) matters, which are considered as part of the Group's risk management system (referred to above in relation to Business risk assessment). The results of the benchmarking reviews which form part of that system (which are carried out by the Group's Leadership Executive), are reported to and considered by the full Board on a six-monthly basis. Details of the risks and uncertainties that are considered most significant to the Group are set out on pages 26 and 27.

In light of the above, the Board believes that it has in place appropriate procedures to identify and assess the significant risks to the Company's short and long-term value arising from SEE matters, as well as opportunities to enhance value that may arise from an appropriate response. In that respect, the Board considers that it receives adequate information to make those assessments and that the Company has in place effective measures for managing significant risks. Account is taken of SEE matters in relation to the training of Directors.

Investor relations

The Executive Directors have a programme of meetings with institutional shareholders and analysts. Feedback from such meetings regarding shareholder opinion is provided to the Board as a whole. In addition, the Senior Independent Non-Executive Director is available to meet with major shareholders if requested. The Company's Annual General Meeting provides an opportunity, which the Board encourages, for private investors to communicate with the Company.

Going concern

After making enquiries, the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Statement of Directors' responsibilities in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period.

In preparing each of the Group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement

Each of the Directors confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

M C Allan
Director

J J Lister
Director

3 March 2010

38 Directors' Remuneration Report for the year ended 31 December 2009

The Board reports to shareholders on Directors' remuneration as set out below. In preparing this report, the Remuneration Committee of the Board (the "Committee") has complied with the Companies Act 2006 and Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts & Reports) Regulations 2008. The Report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the Principles of Good Governance in relation to directors' remuneration. A resolution to approve the Report will be proposed at the forthcoming Annual General Meeting.

Certain sections of this report are subject to audit and these have been clearly marked. The unaudited section of the report deals with the remuneration policy that is to be followed in 2010 and describes arrangements which applied during 2009.

Remuneration Committee

During the year, the Committee consisted of Mr S R H Beevor (who chaired the Committee), Mr G K Maddrell (until 15 May 2009, when he stood down from the Board), Mr N P Hall, Mr R S Walker and Mr P M White (as from 4 September 2009), all of whom are independent Non-Executive Directors (other than Messrs Maddrell and White who respectively was and is Chairman of the Board). Mr M C Allan is invited to attend meetings of the Committee.

The Committee is required annually to approve the remuneration policy and rewards for the Executive Directors and to monitor the structure and level of remuneration for other senior management. Mr Allan takes no part in the discussions concerning his own remuneration, nor does he attend those parts of the meetings of the Committee which discuss that issue.

The Committee is able to obtain independent professional advice from remuneration and other consultants in order to carry out its duties. During the year, such advice was received from Hewitt New Bridge Street, which did not provide any other services to the Company during the course of the year. In addition, Mr S Spiers, (who was the Group HR Director during 2009), provided advice and services to the Committee during the course of the year but did not participate in any discussion relating to his own remuneration.

During 2009 some of the key issues addressed by the Committee were as follows:

- reviewing and updating the Company's policy on Executive Directors' remuneration to ensure it remained appropriate;
- reviewing the base salaries of the Executive Directors;
- setting performance targets in line with the Company's strategy for the annual bonus plan and determining the amounts potentially payable; and
- reviewing the current long-term incentive arrangements.

The members of the Committee attend the Company's Annual General Meeting and are available to answer shareholders' questions about the Directors' remuneration.

The terms of reference of the Committee are available on the Company's website.

Policy on Remuneration of Executive Directors and Senior Executives

The policy in respect of Directors' remuneration for the following and subsequent years is to ensure that the remuneration packages it offers are competitive and designed to attract, retain and motivate Executive Directors and senior executives of an appropriate calibre. Performance-related reward policies are operated which are designed to provide a significant element of "at risk" pay, which is only available when good results are achieved.

The annual bonus scheme is seen as an essential part of total reward and incentivisation for Executive Directors. Annual bonus targets include elements for performance against financial and non-financial criteria and personal objectives. The targets aim to address the issues facing the business over the coming year.

The Committee views long-term incentives as a key way of retaining and aligning the interests of Executive Directors and other senior executives with shareholders and the Company's corporate goals.

Risk is taken into account when setting the targets and when determining entitlements under variable pay schemes. This is done by ensuring that targets, whilst stretching, are realistic; for the long-term benefit of the Company; and are achievable without taking inappropriate business risks. Remuneration packages are designed to promote long-term sustainable performance and to promote alignment between the interests of senior executives and the Company's shareholders.

The Committee confirmed its policy to pay base salaries at or around the median level for companies of a similar size (taking account of individual experience and performance), and to provide the opportunity for Executives to achieve total remuneration at the upper quartile level when justified by very strong performance against clearly defined measures.

In determining the remunerations of Executive Directors and other senior executives, the Committee also takes account the level of remuneration and pay awards generally to employees of the Group.

During 2009, a benchmarking review of the current market positioning of the Group's executive remuneration was undertaken on behalf of the Committee using a comparator of other Real Estate companies and a pan sector of companies of similar size to the Company. That review indicated that the base salary and total remuneration of Mr M C Allan was broadly at the market median, whilst the remuneration of the other Executive Directors was positioned below market levels. However, in using comparative pay survey data, the Committee treats the data with caution, recognising the risk of an upward pay ratchet. The main components of the Executive Directors' remuneration packages are:

Basic Salary

The basic salary of each Executive Director is reviewed each year. Basic salaries are determined taking account of advice received from independent sources on the rates of salary for similar roles in selected groups of comparable companies and the individual performance and experience of each Executive. As stated above, the Company has agreed the principle that base salaries should be set broadly in line with the market median.

Having frozen the salaries of the Executive Directors in 2009, the Committee approved the following base salaries with effect from 1 March 2010.

	Base salary from 1 March 2009 to 28 February 2010	Base salary from 1 March 2010 to 28 February 2011	Percentage increase
M C Allan	£385,000	£385,000	0%
J J Lister	£200,000	£220,000	10%
J M Tonkiss	£210,000	£240,000	14.3%

The salaries of Messrs Tonkiss and Lister had been purposefully set below market levels to reflect their relatively recent appointments to their respective roles. The salary increases for the upcoming year reflect their progress in their roles, although it should be noted that the new salaries are still, in the view of the Committee, below market levels.

Benefits in kind include a company car or car allowance and private health insurance.

Only basic salary is pensionable.

Pension

The Company contributes to a self-investing pension plan of Mr Allan. In 2009, the Company contributed an amount equivalent to 7.5% of Mr Allan's salary to such plan.

Messrs Lister and Tonkiss are members of The UNITE Group Personal Pension Scheme, which is a money purchase scheme. The Company contributes 12.5% of salary into the scheme.

Performance Related Bonus

The Group operates an annual performance related bonus scheme which is designed to reward outstanding contributions and encourage the achievement of targeted levels of performance over the short term. Under the scheme Executive Directors' basic bonus entitlements for 2009 have been calculated by reference to performance targets set in relation to profitability; increases in net asset value; the net amount of cash generated from capital activities and the year-end free cash balance; customer satisfaction and employee satisfaction. For the 2010 bonus scheme, performance targets have been set in relation to broadly the same criteria.

Subject to minimum targets being achieved in relation to those performance criteria, basic bonus entitlements have been calculated on a sliding scale of amounts equivalent to between 50% and 120% of base salary, in accordance with which "on target" performance would have resulted in a basic bonus entitlement of an amount equivalent to 75% of base salary.

The performance related bonus is not pensionable and Non-Executive Directors do not participate in the scheme.

To determine the actual bonus payment of an Executive Director, a multiplier, ranging between 0.5 and 1.2 is applied against the basic bonus entitlement of the relevant Executive Director. That multiplier is determined following the Performance Development Programme review of each Executive Director (which is carried out at the end of the year), and reflects the strength of that Director's individual performance over the course of the year.

As a result of the above, 2009 bonus payments for Executive Directors could have ranged in amounts up to 144% of base salary. However, bonus payments at the higher end of that range would only have been made subject to the achievement of extremely stretching performance targets by the Company and exceptional individual performance by the relevant Director.

The performance related bonuses awarded in respect of the year ended 31 December 2009 reflect basic bonus entitlements (calculated in accordance with the sliding scale referred to above), of 56.55% of basic salary. That percentage was arrived as a result of the Group having achieved bonus entitlements in relation to net asset value, year-end free cash balance, cash raised from capital activities and employee satisfaction. Bonus entitlements were not achieved in relation to profitability and customer satisfaction.

After application of the individual performance multiplier, the above has resulted in the actual performance related bonus payments awarded to Messrs M C Allan, J M Tonkiss and J J Lister ranging between 49.2% and 60.5 % of their respective basic salaries. In 2008, bonus payments to the Executive Directors ranged in amounts equivalent to between 34% and 43% of base salary.

In accordance with the Company's Guidance for Executive Directors' Shareholdings (see below), 50% of the bonus payable to each of Messrs M C Allan and J M Tonkiss will be satisfied by an allocation of shares in the Company under The UNITE Group plc Share Bonus Plan (the "Share Bonus Plan"), and will be held in the Company's Employee Share Ownership Trust (the "ESOT") for three years, whilst 100% of the bonus payable to Mr J J Lister will be paid in cash.

The Remuneration Committee has decided that the Executive Directors (being the only employees holding allocations of shares under the Share Bonus Plan pursuant to awards made in 2008 and 2009), should be given the opportunity to elect to convert such awards into forfeitable share awards prior to the expiry of the 2009/10 tax year. Participants who elect to convert their awards will be pay tax on the value of such awards in the 2009/10 tax year, although the forfeitable shares will be held subject to the normal terms of the Share Bonus Plan (including the same good and bad leaver provisions as applied to the original share awards), until the third anniversary of the date of the original award.

Long-term Incentives

The Group seeks to encourage and reward long-term performance by providing incentives linked to the long-term performance of the Company's shares. These incentives were, prior to the adoption of The UNITE Group plc Long-Term Incentive Plan ("LTIP"), provided in the form of share options and details of the subsisting options awarded to the Directors are set out in the "auditable" part of this Report.

Under the LTIP, Executive Directors and senior managers may receive a conditional award of shares in the Company each year, which vest dependent on the extent to which performance conditions selected by the Remuneration Committee are satisfied over a three year measurement period. The maximum limit for individual awards is 100% of base salary per annum.

For awards in 2010 (as was the case for awards made in previous years), performance conditions will be based on growth in net asset value and the total shareholder return performance of the Company, each applying to 50% of an award. For that element of an award based on growth in net asset value, a target net asset value for the end of the three year measurement period will be set by the Remuneration Committee and lodged with the Company's auditors. However, for reasons of commercial sensitivity, the target is not publicly disclosed. At the end of the measurement period, if the actual net asset value is less than 80% of the target value, none of the shares the subject of that element of the award will vest. If the actual net asset value is 116% or more of the target value, then all the shares the subject of that element of the award will vest.

If the actual net asset value is equal to or greater than 80% of the target value, but less than 116%, the number of shares that will vest will be calculated on a straight line basis. Under awards made prior to 2009, 45% of the total number of shares the subject of that element of the award would vest if the actual net asset value was 80% of the target value, with 100% of such shares vesting if the actual value was 116% or more of the target value. However, for awards made in 2009 and subsequently, only 30% of an award will vest if 80% of the target value is achieved.

In relation to that element of an award referable to total shareholder return, the performance of the Company will be measured over a three-year measurement period, against the performance of a comparator group of companies. For the awards made in 2010, the comparator group will be those companies comprising the FTSE 350 Real Estate "Super Sector" Index at the beginning of the measurement period and which are still quoted at the end of that period. The Remuneration Committee believes that the constituents of that comparator group provide an appropriate comparison external benchmark for the Company's performance.

For the achievement of median-ranked performance, 33% of that part of the award vests. If the Company is ranked in the top 25% of the comparator group, then all the shares the subject of that element of the award will vest, whilst no such shares will vest if it is below the median. If the Company is ranked between median and the upper quartile, the number of shares that will vest will be between 33% and 100% of the total number of shares the subject of that element of the award, calculated on a straight-line basis. The same vesting scale applies to the total shareholder return elements of awards made prior to 2010.

Irrespective of the net asset value and total shareholder return performance, no shares will vest under either element of an award unless the Remuneration Committee is satisfied that the underlying financial performance of the Company over the performance period is satisfactory. No element of the LTIP awards made in 2006 vested and it is considered unlikely that any element of the LTIP awards made in 2007 will vest.

Service Contracts and Notice Periods

In accordance with general market practice, each of the Executive Directors has a rolling service contract requiring 12 months' notice of termination on either side. Such contracts contain no specific provision for compensation for loss of office, other than an obligation to pay for any notice period waived by the Company.

The dates of the current Executive Directors' service contracts are as follows:

M C Allan	31 October 1999
J M Tonkiss	22 June 2001
J J Lister	28 March 2002

Each of the Non-Executive Directors has a specific letter of engagement, the dates of which are set out below:

P M White	10 January 2009
N P Hall	6 March 2003
S R H Beevor	20 February 2004
R Walker	3 November 2005

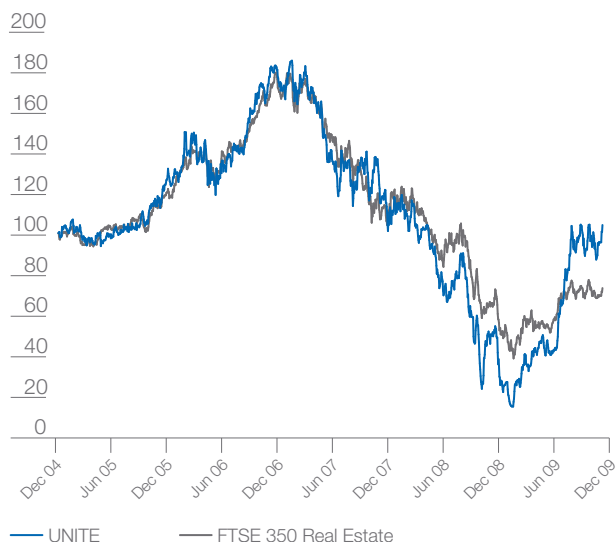
Non-Executive Directors are appointed for an initial term of three years, subject to normal provisions as to retirement by rotation. Subsequent terms of three years may be awarded. Current appointments will expire at the Annual General Meeting in 2011 in the case of Mr R S Walker; at the Annual General Meeting in 2012 in the case of Messrs N P Hall and P M White; and at the Annual General Meeting in 2013 in the case of Mr S R H Beevor. The appointment and re-appointment and the remuneration of Non-Executive Directors are matters reserved for the full Board.

The basic fee payable to each of the Non-Executive Directors during 2009 was £35,000 per annum, with the Chairmen of the Audit and Remuneration Committees being paid an additional £7,000 and £6,500 respectively. The Senior Independent Director also received an additional payment of £4,500 per annum. The additional fees payable to the chairmen of the Audit and Remuneration Committees and to the Senior Independent Director reflect the increased duties attributable to fulfilling those roles. With effect from 1 January 2010 it was agreed to increase the fee payable to the Chairman of the Board to £112,500 per annum and to increase the basic fee payable to each Non-Executive Director to £39,000. It was also agreed to increase the fee payable for chairing the Audit Committee to £8,000 per annum. The fees payable for chairing the Remuneration Committee and for being Senior Independent Director were not increased.

Total Shareholder Return

The following graph charts the total shareholder return of the Company and the FTSE 350 Real Estate "Super Sector" Index over the five year period from 31 December 2004 to 31 December 2009.

Total Shareholder Return



Whilst there is no comparator index or group of companies which truly reflects the activities of the Group, the FTSE 350 Real Estate "Super Sector" Index (the constituent members of which are all property holding and/or development companies or real estate investment trusts within the UK), was chosen as it reflects trends within the UK property market generally and tends to be the index against which analysts judge the performance of the Company.

Audited Information

Remuneration Summary	Fees £'s	Basic Salaries £'s	Performance Bonus* £'s	Deferred Bonus** £'s	Other Benefits*** £'s	Total Remuneration 2009 £'s	Total Remuneration 2008 £'s
Executive Directors							
M C Allan	—	385,000	116,480	116,480	20,403	638,363	565,574
J M Tonkiss	—	210,000	63,535	63,535	12,631	349,701	312,441
J J Lister	—	200,000	98,400	—	14,714	313,114	283,144
Non Executive Directors (Fees)							
P M White	85,227	—	—	—	—	85,227	—
N P Hall	46,500	—	—	—	—	46,500	46,500
S R H Beever ¹	41,500	—	—	—	—	41,500	41,500
R Walker	35,000	—	—	—	—	35,000	35,000
G K Maddrell ²	44,296	—	—	—	—	44,296	117,500
N A Porter ²	18,849	—	—	—	—	18,849	50,000

* Payable in cash.

** Satisfied by an allocation of shares in the Company held in the ESOT.

*** Benefits receivable consist primarily of company car or car allowance and private health care insurance.

¹ The fees paid in respect of Mr S R H Beever were paid to Grosvenor Investments Limited, which company made available the services of Mr Beever.

² The fees paid to each of Messrs G K Maddrell and N A Porter in 2009 relate to the period 1 January 2009 to 15 May 2009, on which latter date both Mr Maddrell and Mr Porter stood down from the Board.

Pensions

During the year Mr J M Tonkiss and Mr J J Lister participated in The UNITE Group Personal Pension Scheme, which is a money purchase scheme, in relation to whom the Company contributed respectively the sums of £26,250 and £25,000 in the year. The Company also made contributions of £26,950 to a self investing pension scheme of Mr M C Allan.

Executive Director Shareholding Guidelines

The Group's policy in relation to shareholdings in the Company by Executive Directors is for the Chief Executive to acquire a holding (excluding shares held conditionally pursuant to LTIP awards), equivalent in value to twice basic salary. For other Executive Directors, the policy is for them to accumulate a holding (again excluding shares held conditionally pursuant to LTIP awards), equivalent in value to one times basic salary. The valuation of the respective holdings is made by reference to the closing mid-market price of the Company's shares on the day following the preliminary announcement of the Company's year-end results. If on that date the valuation of the relevant Director's holding is below the guideline level, then 50% (or such lesser percentage as is required to take the relevant Director's holding up to the guideline level), of the bonus payable to that Director in respect of the previous financial year is satisfied by an allocation of shares in the Company held in the ESOT. Subject to the Director's continued employment within the Group, such shares are transferred to the Director on or around the third anniversary of the original allocation.

Share Options

Director	As at 31.12.08	Granted during the year	Exercised during the year	Lapsed during the year	As at 31.12.09	Exercise Price	Normal Exercise Dates
M C Allan	11,823	–	–	–	11,823	323.5p	21.03.2005 – 20.03.2012
	54,733	–	54,733	–	–	191p	04.05.2007 – 03.05.2014
J M Tonkiss	1,545	–	–	–	1,545	323.5p	21.03.2005 – 20.03.2012
	5,235	–	–	–	5,235	191p	04.05.2007 – 03.05.2014
	50,000	–	–	–	50,000	232.5p	16.09.2007 – 15.09.2014
J J Lister	8,255	–	–	–	8,255	129p	11.10.2005 – 10.10.2012
	3,154	–	–	–	3,154	158.5p	25.09.2006 – 24.09.2013
	5,235	–	–	–	5,235	191p	04.05.2007 – 03.05.2014
	58,662	–	–	–	58,662	232.5p	16.09.2007 – 15.09.2014
G K Maddrell	–	–	–	–	–	–	–
N A Porter	393,706	–	373,229	20,477	–	146.5p	22.10.2005 – 21.10.2012
N P Hall	–	–	–	–	–	–	–
S R H Beevor	–	–	–	–	–	–	–
R Walker	–	–	–	–	–	–	–

The closing mid-market price on the day of exercise of options by Mr M C Allan was 276.25p per share. Gains made by Mr Allan equate to £46,796.72.

The closing mid-market price on the day of exercise of options by Mr N A Porter was 277p per share. Gains made by Mr Porter equate to £487,063.85.

As at 31 December 2009, the middle market price for ordinary shares in the Company was 299.5p per share. During the course of the year, the market price of the Company's shares ranged from 38.5p to 300p per ordinary share.

Of the options referred to in the table above, 20,477 of the options awarded to Mr N A Porter were awarded pursuant to The UNITE Group plc Approved Company Share Option Scheme (the "Approved Scheme"). Those options lapsed when Mr Porter resigned as a Director. All other options were granted pursuant to The UNITE Group plc Unapproved Share Option Scheme (the "Unapproved Scheme"). All options were granted for no consideration.

Options granted under the Approved Scheme were not made subject to performance conditions, which was considered appropriate in view of the relatively small number of options that may be granted to individuals under such schemes (i.e. options over shares with a market value, as at the date of grant, of no more than £30,000).

Vesting of half the options granted prior to 2004 under the Unapproved Scheme was based on the total shareholder return of the Company against companies included in the FTSE Small Companies Index (excluding investment trusts) over the three-year period from the date of grant. Vesting of the other half was based on the Company's net asset growth exceeding the average net asset growth of companies included in the FTSE Small Companies Index (excluding investment trusts) over the three-year period from the date of grant. Options granted under the Unapproved Scheme after 1 January 2004 were subject to revised performance criteria based solely on total shareholder return against companies included in the FTSE Small Companies Index (excluding investments trusts).

LTIP Awards

Director	Interests held at 01.01.09	Interests awarded during year (ordinary shares of 25p each in the Company)	Market price per share when awarded	Interests vested during the year	Interests lapsed in the year	Interests held at 31.12.09 (ordinary shares of 25p each in the Company)	Period of qualifying conditions
M C Allan	80,194		411.5p	–	80,194	–	11.04.2006 – 11.04.2009
	55,096		544.5p	–		55,096	11.04.2007 – 11.04.2010
	124,294		309.75p	–		124,294	15.04.2008 – 15.04.2011
		415,094	92.75p	–		415,904	09.04.2009 – 09.04.2012
J M Tonkiss	29,162		411.5p	–	29,162	–	11.04.2006 – 11.04.2009
	33,058		544.5p	–		33,058	11.04.2007 – 11.04.2010
	67,796		309.75p	–		67,796	15.04.2008 – 15.04.2011
		226,415	92.75p	–		226,415	09.04.2009 – 09.04.2012
J J Lister	4,860		411.5p	–	4,860	–	11.04.2006 – 11.04.2009
	12,842		544.5p	–	–	12,842	11.04.2007 – 11.04.2010
	64,568		309.75p	–	–	64,568	15.04.2008 – 15.04.2011
		215,633	92.75p	–	–	215,633	09.04.2009 – 09.04.2012
P M White	–	–	–	–	–	–	–
N P Hall	–	–	–	–	–	–	–
S R H Beevor	–	–	–	–	–	–	–
R Walker	–	–	–	–	–	–	–
G K Maddrell	–	–	–	–	–	–	–
N A Porter	–	–	–	–	–	–	–

Details of the qualifying performance conditions in relation to the above referred to awards are set out above under the heading “Long-Term Incentives”. Those details should also be taken as forming part of the “auditable part” of this Report. No variations have been made to the terms or conditions of any awards.

The fair value in respect of Directors’ share options and LTIP awards recognised in the Income Statement is as follows:

	2009 £	2008 £
M C Allan	82,566	118,217
J M Tonkiss	46,968	61,654
J J Lister	27,356	41,205
	156,890	221,076

A table setting out the beneficial interests of the Directors in the share capital of the Company as at 31 December 2009 is set out on page 30.

By order of the Board
S R H Beevor
Chairman of the Remuneration Committee
3 March 2010

Independent Auditors' Report to the members of The UNITE Group plc

We have audited the financial statements of The UNITE Group plc for the year ended 31 December 2009 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statement of Changes in Shareholders' Equity, the Group and Company Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 37, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKP.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2009 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- information given in the Corporate Governance Statement set out on pages 34 to 36 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 36, in relation to going concern; and
- the part of the Corporate Governance Statement on pages 34 to 36 relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Stephen Bligh (Senior Statutory Auditor), for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants, 8 Salisbury Square, London EC4Y 8BB

3 March 2010

Consolidated Income Statement

For the year ended 31 December 2009

	Note	2009 £'000	2008 Restated £'000
Revenue	2	265,352	133,594
Cost of sales	2	(246,960)	(121,765)
Administrative expenses	2	(23,097)	(31,115)
		(4,705)	(19,286)
Loss on disposal of property		(3,416)	(12,396)
Loss on part disposal of investment in joint venture		-	(2,464)
Net valuation losses on property	3	(15,337)	(25,342)
Loss before net finance costs		(23,458)	(59,488)
Loan interest and similar charges	5	(13,308)	(28,843)
Changes in fair value of interest rate swaps	5	(6,737)	(32,414)
Finance costs		(20,045)	(61,257)
Finance income	5	891	2,211
Net finance costs		(19,154)	(59,046)
Share of joint venture profit/(loss)	9	6,929	(10,319)
Loss before tax		(35,683)	(128,853)
Tax	6	1,233	12,511
Loss for the year		(34,450)	(116,342)
Loss for the period attributable to			
Owners of the parent company		(34,861)	(115,942)
Minority interest	9	411	(400)
		(34,450)	(116,342)
Earnings per share			
Basic	18	(25.9p)	(92.4p)
Diluted	18	(25.9p)	(92.4p)

The restatement of the comparatives has no impact on the loss for the year and is explained in Notes 9 and 18.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	2009 £'000	2008 £'000
Loss for the period	(34,450)	(116,342)
Revaluation of investment property under development	–	1,510
Movements in effective hedges	1,854	(5,825)
Gains on hedging instruments transferred to income statement	–	1,142
Share of joint venture valuation gain on investment property under development	–	1,309
Share of joint venture movements in effective hedges	574	(9,960)
Other comprehensive income for the period	2,428	(11,824)
Total comprehensive income for the period	(32,022)	(128,166)
Attributable to		
Owners of the parent company	(32,553)	(127,366)
Minority interest	531	(800)
	(32,022)	(128,166)

All movements above are shown net of deferred tax.

Consolidated Balance Sheet

At 31 December 2009

	Note	2009 £'000	2008 Restated £'000	2007 Restated £'000
Assets				
Investment property	7	403,600	403,700	597,747
Investment property under development	7	–	52,989	102,180
Property, plant and equipment	8	7,351	8,030	9,094
Investment in joint ventures	9	148,344	125,481	130,218
Joint venture investment loans	9	12,239	5,618	5,107
Intangible assets	10	6,542	7,219	8,089
Other receivables	12	–	–	1,103
Total non-current assets		578,076	603,037	853,538
Completed property	7	204,113	75,214	–
Properties under development	7	38,097	249,124	121,936
Inventories	11	8,166	10,311	104,557
Trade and other receivables	12	44,714	55,395	48,374
Cash and cash equivalents	13	48,764	111,845	56,316
Total current assets		343,854	501,889	331,183
Total assets		921,930	1,104,926	1,184,721
Liabilities				
Borrowing and financial derivatives	15	(179)	(136,876)	(240,234)
Trade and other payables	14	(72,581)	(80,172)	(116,928)
Current tax creditor		(475)	(372)	(873)
Total current liabilities		(73,235)	(217,420)	(358,035)
Borrowings and financial derivatives	15	(467,648)	(552,140)	(363,720)
Deferred tax liabilities	16	–	–	(12,873)
Total non-current liabilities		(467,648)	(552,140)	(376,593)
Total liabilities		(540,883)	(769,560)	(734,628)
Net Assets		381,047	335,366	450,093
Equity				
Issued share capital	17	39,902	31,079	30,874
Share premium	17	247,539	176,541	174,333
Merger reserve	17	40,177	40,177	40,177
Retained earnings	17	51,097	85,699	187,957
Revaluation reserve	17	–	1,805	17,644
Hedging reserve	17	(12,827)	(15,135)	(892)
Equity attributable to the owners of the parent company		365,888	320,166	450,093
Minority interest	9	15,159	15,200	–
Total equity		381,047	335,366	450,093

The restatement of the comparatives, which has no impact on net assets, and the presentation of a third balance sheet are explained in Note 9.

These financial statements were approved by the Board of Directors on 3 March 2010 and were signed on its behalf by:

M C Allan
Director

J J Lister
Director

Company Balance Sheet

At 31 December 2009

	Note	2009 £'000	2008 Restated £'000	2007 Restated £'000
Assets				
Investments in subsidiaries	9	96,818	115,810	238,195
Investments in joint ventures	9	1,571	764	4,433
Total investments		98,389	116,574	242,628
Joint venture investment loan	9	3,836	3,461	3,146
Total non-current assets		102,225	120,035	245,774
Trade and other receivables	12	304,622	253,270	257,125
Cash and cash equivalents	13	1,008	–	–
Total current assets		305,630	253,270	257,125
Total assets		407,855	373,305	502,899
Current Liabilities				
Borrowing and financial derivatives	15	–	(1,730)	(648)
Trade and other payables	14	(32,263)	(40,573)	(42,239)
Total current liabilities		(32,263)	(42,303)	(42,887)
Net Assets		375,592	331,002	460,012
Equity				
Issued share capital	17	39,902	31,079	30,874
Share premium	17	247,539	176,541	174,333
Merger reserve	17	40,177	40,177	40,177
Retained earnings	17	47,974	83,205	214,628
Total equity		375,592	331,002	460,012

The restatement of the comparatives, which has no impact on net assets, and the presentation of a third balance sheet are explained in Note 9.

Total equity is wholly attributable to equity holders of The UNITE Group plc.

These financial statements were approved by the Board of Directors on 3 March 2010 and were signed on its behalf by:

M C Allan
Director

J J Lister
Director

50 Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2009

	Issued share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Revaluation reserve £'000	Hedging reserve £'000	Minority interest £'000	Total £'000
At 1 January 2009	31,079	176,541	40,177	85,699	1,805	(15,135)	15,200	335,366
Loss for the period	–	–	–	(34,861)	–	–	411	(34,450)
Other comprehensive income for the period	–	–	–	–	–	2,308	120	2,428
Transfer (see Note 1)	–	–	–	1,805	(1,805)	–	–	–
Shares issued	8,823	70,998	–	–	–	–	–	79,821
Fair value of share-based payments	–	–	–	413	–	–	–	413
Own shares acquired	–	–	–	(1,959)	–	–	–	(1,959)
Dividends to minority interest	–	–	–	–	–	–	(572)	(572)
At 31 December 2009	39,902	247,539	40,177	51,097	–	(12,827)	15,159	381,047

	Issued share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Revaluation reserve £'000	Hedging reserve £'000	Minority interest £'000	Total £'000
At 1 January 2008	30,874	174,333	40,177	187,957	17,644	(892)	–	450,093
Loss for the year	–	–	–	(115,942)	–	–	(400)	(116,342)
Other comprehensive income for the year	–	–	–	–	2,819	(14,243)	(400)	(11,824)
Investment received from minority interest	–	–	–	–	–	–	16,000	16,000
Transfer on completion or disposal of investment property	–	–	–	18,658	(18,658)	–	–	–
Shares issued	205	2,208	–	–	–	–	–	2,413
Fair value of share-based payments	–	–	–	308	–	–	–	308
Own shares acquired	–	–	–	(2,192)	–	–	–	(2,192)
Dividends to the owners of the parent company	–	–	–	(3,090)	–	–	–	(3,090)
At 31 December 2008	31,079	176,541	40,177	85,699	1,805	(15,135)	15,200	335,366

Company Statement of Changes in Shareholders' Equity

For the year ended 31 December 2009

	Issued share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2009	31,079	176,541	40,177	83,205	331,002
Loss for the period	–	–	–	(2,543)	(2,543)
Revaluation of investments in subsidiaries and joint ventures	–	–	–	(32,688)	(32,688)
Shares issued	8,823	70,998	–	–	79,821
At 31 December 2009	39,902	247,539	40,177	47,974	375,592

	Issued share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings Restated £'000	Total Restated £'000
At 1 January 2008	30,874	174,333	40,177	214,628	460,012
Loss for the period	–	–	–	(2,279)	(2,279)
Revaluation of investments in subsidiaries and joint ventures	–	–	–	(126,054)	(126,054)
Shares issued	205	2,208	–	–	2,413
Dividends to shareholders	–	–	–	(3,090)	(3,090)
At 31 December 2008	31,079	176,541	40,177	83,205	331,002

Statements of Cash Flows

For the year ended 31 December 2009

	Note	Group		Company	
		2009 £'000	2008 Restated £'000	2009 £'000	2008 Restated £'000
Operating activities					
Loss for the year		(34,450)	(116,342)	(2,440)	(2,279)
Adjustments for:					
Depreciation and amortisation		3,359	3,356	–	–
Fair value of share based payments	4	413	308	–	–
Change in value of investment property		15,337	25,342	–	–
Net finance costs	5	19,154	59,046	76	(280)
Loss on disposal of investment property		3,416	12,396	–	–
Loss on part disposal of joint venture		–	2,464	–	–
Share of joint venture profit	9	(6,929)	10,319	–	–
Trading with joint venture adjustment		(2,243)	2,402	–	–
Tax credit	6	(1,233)	(12,511)	–	–
Cash flows from operating activities before changes in working capital		(3,176)	(13,220)	(2,364)	(2,559)
Increase in trade and other receivables		(15,263)	(9,653)	(304)	139
Increase in property under development		82,128	(202,402)	–	–
Decrease/(increase) in inventories		2,145	94,246	–	–
(Decrease)/increase in trade and other payables		(845)	(27,375)	(181)	(1,852)
Cash flows from operating activities		64,989	(158,404)	(2,849)	(4,272)
Cash flows from taxation		(476)	(396)	–	–
Investing activities					
Proceeds from sale of investment property		52,695	251,553	–	–
Payments to/on behalf of subsidiaries		–	–	(472,687)	(1,843)
Payments from subsidiaries		–	–	413,204	5,745
Equity invested in joint ventures and subsidiaries		–	(16,117)	(14,572)	–
Advances on loans to joint ventures		(306)	–	–	–
Dividends received		6,923	5,258	–	–
Interest received		480	1,877	–	–
Acquisition of intangible assets		(1,645)	(1,182)	–	–
Acquisition of property, plant and equipment		(24,212)	(766)	–	–
Acquisition and construction of investment property		–	(53,371)	–	–
Cash flows from investing activities		33,935	187,252	(74,055)	3,902
Financing activities					
Total interest paid		(21,564)	(51,141)	(179)	(35)
Interest capitalised into inventory & property under development included in cash flows from operating activities		9,532	16,219	–	–
Interest paid in respect of financing activities		(12,032)	(34,922)	(179)	(35)
Bond and loan redemption costs		(24)	(478)	–	–
Proceeds from the issue of share capital		79,821	2,413	79,821	2,413
Payments to acquire own shares		(1,959)	(2,192)	–	–
Proceeds from non-current borrowings		260,433	347,865	–	–
Repayment of borrowings		(462,119)	(320,762)	–	–
Payment of finance lease liabilities		–	(35)	–	–
Investment received from minority interest		–	16,000	–	–
Dividends paid		(572)	(3,090)	–	(3,090)
Cash flows from financing activities		(136,452)	4,799	79,642	(712)
Net (decrease)/increase in cash and cash equivalents		(38,004)	33,251	2,738	(1,082)
Cash and cash equivalents at start of year		86,768	53,517	(1,730)	(648)
Cash and cash equivalents at end of year	13	48,764	86,768	1,008	(1,730)

Notes to the Financial Statements

1. Significant accounting policies

The UNITE Group plc (the "Company") is a company domiciled in The United Kingdom.

(a) Basis of preparation

The group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group") and equity account the Group's interest in jointly controlled entities. The parent company financial statements present information about the Company as a separate entity and not about its group.

Both the parent company financial statements and the group financial statements have been prepared and approved by the Directors in accordance with International Reporting Standards as adopted by the EU ("Adopted IFRS"). On publishing the parent company financial statements here together with the Group financial statements, the company is taking advantage of the exemption in Section s408 of the Companies Act 2006 not to present its individual income statement and related notes.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements.

Going concern

The Annual report has been prepared on a going concern basis, which assumes the Group will be able to meet its liabilities as they fall due, for the foreseeable future. The Directors have prepared cash flow forecasts on the basis of which they expect that the Group will continue as a going concern. These forecasts show that the Group has improved its headroom in covenant compliance and its cash position during the year following the issue of new shares, sales of properties and various cost saving initiatives.

In preparing those forecasts, including incorporating the outcomes of various down-side scenarios, the Directors have taken into account various risks and uncertainties as outlined here and in more detail on the Chairman's Statement and Business Review. The principle areas of risk and uncertainty are: the impact of further falls in property valuations resulting in breaches of covenants that cannot be avoided by payments from cash resources; and the achievement of operating targets, in particular projected occupancy levels and rental increases.

Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value:

- Investment property
- Investment property under development
- Financial assets and liabilities including interest rate swaps
- Land and buildings included in property, plant and equipment
- Joint venture investment loans

Accounting standards adopted

Included within the IASB's Annual Improvement programme is a change in the accounting treatment for investment properties under development. These properties are now accounted for under IAS 40, therefore revaluation surpluses and deficits on investment properties under development are recognised in the income statement rather than equity. Previously development properties were accounted for under IAS16 and revaluations were consequently taken directly to reserves. This change has been applied to 2009 and in accordance with the requirements of adopted IFRS, the results of the prior periods have not been restated. An impact of the transition is that the opening balance on the revaluation reserve has been transferred, on 1 January 2009, to retained earnings.

IAS 1 (revised) requires the presentation of a more detailed statement of changes in equity and statement of comprehensive income as primary statements, separate from the income statement. As a result, a consolidated statement of comprehensive income and a consolidated statement of changes in equity, showing changes in each component of equity for each period presented, have been included in the primary statements.

Impact of accounting standards and interpretations in issue but not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2009 and have not been applied in preparing these consolidated financial statements. None of these are expected to have an effect on the consolidated financial statements of the Group with the exception of the following item:

Amendment to IAS39 "Financial Instruments". This standard is amended such that gains or losses on a hedged instrument should be reclassified from equity to profit or loss during the period that the hedged forecast cash flows affect profit or loss. This amendment will apply to the Group from the accounting period commencing 1 January 2010.

The Group has not early adopted any standard, amendment or interpretation.

1. Significant accounting policies (continued)

Significant judgements and estimates

The preparation of financial statements in conformity with Adopted IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The accounting policy descriptions set out the areas where judgement needs exercising, the most significant of which are as follows:

Valuation of investment property and investment property under development

- The Group uses the valuation performed by its independent valuers as the fair value of its investment properties. The valuation is based upon assumptions including future rental income, anticipated maintenance costs and the appropriate discount rate. The valuers also make reference to market evidence of transaction prices for similar properties. Valuations and current market conditions are discussed further in the Business Review.

Completed property, properties under development and inventories

- Completed property, properties under development and inventories are carried at the lower of cost and net realisable value. However the valuation of completed property and properties under development is disclosed in the notes to the financial statements and the same factors affecting investment properties as described above apply. These properties are also valued by the independent valuers.

Trade and other receivables

- The Group is required to judge when there is sufficient objective evidence to require the impairment of individual trade and other receivables.

Classification of properties acquired

- All properties acquired that are intended for development as student accommodation have been classified as in current assets as, in accordance with the Group's business model, it is intended to sell these assets when completed and stabilised to UNITE UK Student Accommodation Fund or another co-investment vehicle.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(b) Basis of consolidation

(i) Subsidiaries

Subsidiaries are those entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Joint ventures

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement. The consolidated financial statements include joint ventures initially at cost subsequently increased or decreased by the Group's share of total recognised gains and losses of joint ventures on an equity basis. Interest free joint venture investment loans are initially recorded at fair value the difference between the nominal amount and fair value is treated as an investment in joint venture. The implied discount is amortised over the contracted life of the investment.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains and losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with joint ventures are eliminated to the extent of the Group's retained interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains except where the loss provides evidence of a reduction in the net realisable value of current assets or an impairment in value of fixed assets.

(iv) Goodwill

Goodwill represents the difference between the cost of an acquisition and the fair value of the Group's share of the identifiable net assets and contingent liabilities of the acquired subsidiary at the effective date of acquisition. Goodwill on acquisitions is reported in the balance sheet as an intangible asset and is impairment tested annually. The carrying amount of goodwill is assessed annually and written down to its recoverable amount.

The profit or loss on disposal of assets is calculated by reference to the carrying value at the date of disposal, including the attributable amount of goodwill which remains unimpaired.

1. Significant accounting policies (continued)

(c) Financial instruments

(i) Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to interest rate risks arising from operational, financing and investment activities.

Derivative financial instruments are recognised initially and subsequently at fair value, with movements recognised in the income statement except where cash flow hedge accounting is applied (see below).

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current credit worthiness of the swap counterparties.

In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

(ii) Hedge accounting for interest rate swaps

Where an interest rate swap is designated as a hedge of the variability in cash flows of an existing or highly probable forecast loan interest payment, the effective part of any valuation gain or loss on the swap instrument is recognised directly in equity in the hedging reserve. The cumulative gain or loss is removed from equity and recognised in the income statement at the same time as the hedged transaction. The ineffective part of any gain or loss is recognised in the income statement immediately.

When a hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer probable, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

(d) Investment property

Investment properties are those held to earn rental income or for capital appreciation or both. Investment properties are stated at fair value. External, independent valuers, having an appropriate recognised professional qualification, value the portfolio every six months. The fair values are based on the market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction where the parties had each acted knowledgeably, prudently and without compulsion.

The valuations are prepared by considering the aggregate of the net annual rents receivable from the properties and where relevant, associated costs.

Valuations reflect, where appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting of vacant accommodation and the market's general perception of their credit worthiness; the allocation of maintenance and insurance responsibilities between lessor and lessee; and the remaining economic life of the property. It has been assumed that whenever rent reviews or lease renewals are pending with anticipated reversionary increases, all notices and where appropriate counter notices have been served validly and within the appropriate time.

Any gain or loss arising from a change in fair value is recognised in the income statement. Rental income is accounted for as described in accounting policy (o).

Investment properties held under operating leases are not included in assets.

(e) Investment property under development

Property that is being constructed or developed for future use as investment property is classified as investment property under development, whereas properties purchased with the intention of selling them to the UNITE UK Student Accommodation Fund are classified as property under development (see (i) below). Investment property under development is stated at fair value. External, independent valuers, having an appropriate recognised professional qualification, value the portfolio every six months. The fair values are on the same basis as those used for investment properties but include adjustments to remove the fair value of construction, which has yet to take place and making reasonable assumptions regarding expected rentals and costs.

Any gain or loss arising from a change in fair value is recognised in the income statement.

All costs directly associated with the purchase and construction of a property, and all subsequent qualifying expenditure is capitalised.

Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalisation of borrowing costs continues until the assets are substantially ready for their intended use but stops if development activities are suspended. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised. The capitalisation rate is arrived at by reference to the actual rate payable on borrowings for development purposes or, with regard to that part of the development cost financed out of general borrowings, to the average rate. During the year the average capitalisation rate used was 6.7% (2008: 6.9%).

Notes to the Financial Statements continued

1. Significant accounting policies (continued)

(f) Property, plant and equipment

(i) Owned assets

Other than land and buildings, property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

Land and buildings held in property, plant and equipment are stated at fair value. The valuation has been carried out by an external, independent valuer, having an appropriate recognised professional qualification. The fair values are based on the market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction where the parties had each acted knowledgeably, prudently and without compulsion.

(ii) Leased assets

Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Property held under finance leases and leased out under operating leases is classified as investment property and carried at fair value (see accounting policy (d)).

(iii) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of property, plant and equipment. Freehold land is not depreciated. The estimated useful lives are as follows:

- Freehold buildings 50 years
- Leasehold improvements Shorter of life of lease and economic life
- Fixtures and fittings 4 years
- Motor vehicles 4 years
- Plant & equipment 4–20 years

Assets held under finance leases which do not transfer title of the assets to the Group at the end of the lease, are depreciated over the shorter of the estimated useful lives shown above and the term of the lease. The residual value, if not insignificant, is reassessed annually.

(g) Investments in subsidiaries and joint ventures

The treatment of these investments in the Group's consolidated financial statements is set out in the "basis of preparation" section above.

In the financial statements of the Company, investments in subsidiaries and joint ventures are carried at fair value with movements in fair value being recognised directly in equity.

(h) Intangible assets

Expenditure on research activities is recognised in the income statement as an expense incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses. The Group's development costs relate to designs and processes at the Group's manufacturing facility.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill is systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use over the following periods:

- Development cost 4–5 years
- Computer software 4–5 years

1. Significant accounting policies (continued)

(i) Completed property, property under development and inventories

Completed properties and properties under development are properties purchased with the intention of selling them to the UNITE UK Student Accommodation Fund following completion. These properties and inventories are shown at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses. Costs are arrived at in the same way as used for investment property under development (see Note (e) above).

Inventories include land held for development, which are sites, purchased without planning permission. Once planning permission is obtained the assets transfer to either property under development or investment property under development.

(j) Trade receivables and payables

Trade receivables and payables are initially recognised at fair value and subsequently measured at amortised cost and discounted as appropriate.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(l) Share capital

(i) Ordinary share capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction, net of tax, in equity from the proceeds. Share issue costs incurred directly in connection with a business combination are deducted from the proceeds of the issue.

(ii) Dividends

Dividends are recognised as a liability in the year in which they are declared.

(m) Interest bearing borrowings

Interest bearing borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

(n) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

(ii) Share-based payment transactions

The group's share option schemes allow employees to acquire shares of the Company. The fair value is measured at grant date and spread over the period during which employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the number of share options that are expected to vest except where forfeiture is only due to share prices not achieving the threshold for vesting. When the options are exercised, equity is increased by the amount of the proceeds received.

The Group funds the purchase of its own shares by the "Employee share ownership trust" to meet the obligations of the Long term incentive plan (LTIP) and executive bonus scheme. The purchases are shown as "Own shares acquired" in the retained earnings in Note 17.

1. Significant accounting policies (continued)

(o) Revenue

(i) Rental income

Rental income from investment property leased out under operating leases is recognised in the income statement on a straight line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income and spread over the period to the first break clause or over the term of the lease where no break clause exists.

(ii) Management and promote fees

Management and promote fees are recognised, in line with the property management contracts, in the period to which they relate. The Group can earn promote fees relative to criteria specified in the joint venture agreements.

(iii) Property sales

In addition to development management fees, detailed above, income relating to the sale of trading properties is recognised once contracts for sale have been unconditionally exchanged.

(iv) Manufacturing revenue

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

(p) Expenses

(i) Lease payments

Payments made under operating leases are recognised in the income statement on a straight line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Where the property interest under an operating lease is classified as an investment property, the property interest is accounted for as if it were a finance lease and the fair value model is used for the asset recognised.

(ii) Net financing costs

Net financing costs comprise interest payable on borrowings less interest receivable on funds invested (both calculated using the effective interest rate method) and gains and losses on hedging instruments that are recognised in the income statement (refer accounting policy (c)).

(q) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries and joint ventures to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. The deferred tax provision in respect of property assets is calculated on the basis that assets will not be held indefinitely and therefore takes account of available indexation.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2. Segment reporting

Segment information for the Group is presented in respect of the Group's business segments based on the Group's management and internal reporting structure. The Group undertakes its Development and Investment activities directly and in joint ventures with third parties. The joint ventures are an integral part of each segment and have similar economic and other characteristics to the Group's direct activities. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis and is reported excluding mark to market and valuation movements.

The Directors do not consider that the group has meaningful geographical segments as it operated exclusively in the United Kingdom in the year.

The Group's Development segment undertakes the acquisition and development of properties, (including the manufacture and sale of modular building components) to practical completion. Many of the Group's properties are acquired with a view to a future sale to the UNITE UK Student Accommodation Fund. The Development segment's revenue predominantly comprises the sales proceeds of properties, including those sold to the UNITE UK Student Accommodation Fund; it also includes revenue from the sale of modules to third parties and joint ventures, and development management fees earned from joint ventures.

The Investment segment comprises the asset and property management of completed properties, owned directly by the Group or by joint ventures. Its revenues are derived from net rental income and asset management fees earned from joint ventures.

(a) Segment revenues and costs

2009	Note	Investment segment £'000	Development segment £'000	Unallocated corporate costs £'000	Total £'000
Revenue		64,405	200,947	–	265,352
Cost of sales		(29,416)	(197,935)	–	(227,351)
Write down of work in progress, property under development and completed property		–	(19,609)	–	(19,609)
Total cost of sales		(29,416)	(217,544)	–	(246,960)
Administrative expenses		(13,875)	(657)	(8,565)	(23,097)
		21,114	(17,254)	(8,565)	(4,705)
Loan interest and similar charges		(13,284)	–	–	(13,284)
Interest rate swap payments on ineffective hedges		(9,684)	–	–	(9,684)
Finance income		480	–	–	480
Share of joint venture investment segment result		7,430	–	–	7,430
Adjust asset management fee for minority interest		160	–	–	160
Adjust property sales for minority interest		–	430	–	430
Segment result/corporate costs	2 (b)	6,216	(16,824)	(8,565)	(19,173)

2008	Note	Investment segment £'000	Development segment £'000	Unallocated corporate costs £'000	Total £'000
Revenue		63,080	70,514	–	133,594
Cost of sales		(30,028)	(60,248)	–	(90,276)
Write down of land held for development and property under development		–	(31,489)	–	(31,489)
Total cost of sales		(30,028)	(91,737)	–	(121,765)
Administrative expenses		(13,680)	(6,300)	(11,135)	(31,115)
		19,372	(27,523)	(11,135)	(19,286)
Loan interest and similar charges		(28,365)	–	–	(28,365)
Interest rate swap receipts		1,409	–	–	1,409
Finance income		1,877	–	–	1,877
Share of joint venture investment segment result		6,654	–	–	6,654
Segment result/corporate costs	2 (b)	947	(27,523)	(11,135)	(37,711)

Notes to the Financial Statements
continued

2. Segment reporting (continued)

(a) Segment revenues and costs (continued)

Investment segment revenue

	2009 £'000	2008 £'000
Management fees (Note 2c)	6,404	5,237
Adjust asset management fee for minority interest	(160)	–
Management fees per income statement	6,244	5,237
Rental income from wholly owned and leased assets (Note 2c)	58,161	57,843
Investment segment revenue	64,405	63,080

Development segment revenue

	2009 £'000	2008 £'000
Property sales from completed properties and properties under development	189,973	69,713
Manufacturing revenue	9,902	–
Development management fee	1,072	801
Development segment revenue	200,947	70,514

(b) Segment results and adjusted loss

The Group reports an adjusted loss, on the basis recommended for real estate companies by EPRA, the European Public Real Estate Association, which excludes movements relating to changes in values of investment properties and interest rate swaps, profits on disposal of investment properties and the related tax effects. The components of this loss are shown below together with a reconciliation to the loss reported under IFRS. The items shown in this table represents the amounts attributable to the parent company shareholders, hence excluding any minority interest. Items affected in this way have been marked as “net of minority interest”.

	Note	2009 £'000	2008 £'000
Investment segment result (net of minority interest)	2(c)	6,216	947
Development segment result (net of minority interest)		(16,824)	(27,523)
Other unallocated items			
Corporate costs (excluding share option fair value charges)		(5,118)	(6,018)
Share option fair value charges		(412)	(308)
Restructuring costs		(3,035)	(4,809)
Share of joint venture overheads (net of minority interest)		(464)	(290)
Share of joint venture Landsbanki provision		–	(6,120)
Loan break costs and costs written off on refinancing		(24)	(478)
Share of joint venture loan break costs		–	(137)
Swap loss realised on cancellation		(9,560)	–
Share of joint venture current tax credit		683	–
Current tax charge (net of minority interest)		(201)	(24)
Adjusted loss for the year attributable to owners of the parent company		(28,739)	(44,760)

2. Segment reporting (continued)

(b) Segment results and adjusted loss (continued)

Reconciliation of adjusted loss to IFRS reported loss

	2009 £'000	2008 £'000
Adjusted loss for the year attributable to owners of the parent company	(28,739)	(44,760)
Net valuation losses on properties	(15,337)	(25,342)
Loss on sale of property	(3,416)	(12,396)
Share of joint venture valuation losses	(1,472)	(10,360)
Minority interest share of valuation (losses)/gains	(71)	480
Loss on part disposal of investment in joint venture	–	(2,464)
Share of joint venture profit/(loss) on disposal	62	(56)
Changes in fair value of interest rate swaps	2,823	(32,414)
Share of joint venture changes in fair value of interest rate swaps	(55)	–
Interest rate swap payments/(receipts) on ineffective hedges allocated to investment segment	9,684	(1,409)
Deferred tax	1,619	12,535
Share of joint venture deferred tax	41	244
Loss for the year attributable to owners of the parent company	(34,861)	(115,942)

The Group measures its operational performance by considering the income generated from properties compared with its overhead and can be calculated as follows:

Net portfolio contribution

	2009 £'000	2008 £'000
Investment segment result	6,216	947
Corporate costs (excluding share option fair value charges)	(5,118)	(6,018)
Share of joint venture overheads	(464)	(290)
Net portfolio contribution	634	(5,361)

The Group's wholly owned properties are split between several categories of fixed and current assets. Those held as fixed assets are carried at fair value with profits or losses on disposal shown separately in the income statement. Whereas properties in current assets are carried at cost unless fair value is lower and disposals are included in sales and cost of sales. Additionally revaluation and disposal profits or losses of properties held by joint ventures are accounted for separately as part of the Group's share of joint ventures. The overall impact of the movement in property valuations and profits or losses on disposals on the interests of the parent company shareholders is summarised on the next page:

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2. Segment reporting (continued)

(b) Segment results and adjusted loss (continued)

Property valuation movements

2009	Current assets		Fixed assets		Total
	Cost of sales impairments £'000	Revenue/cost of sales disposal £'000	Net valuation movement £'000	Loss on disposal £'000	
Development					
Property under development	(11,691)	(5,686)	–	–	(17,377)
Investment property under development	–	–	(6,682)	–	(6,682)
Completed property	(5,330)	9,963	–	–	4,633
Share of joint venture	–	–	1,997	–	1,997
Land write downs	(2,588)	–	–	–	(2,588)
	(19,609)	4,277	(4,685)	–	(20,017)
Investment					
Investment property	–	–	(8,460)	–	(8,460)
Share of joint venture	–	–	(3,540)	62	(3,478)
Loss on disposal of investment property	–	–	–	(3,416)	(3,416)
	–	–	(12,000)	(3,354)	(15,354)
Tangible fixed assets	–	–	(195)	–	(195)
Total effect on net assets	(19,609)	4,277	(16,880)	(3,354)	(35,566)
Impact of unbooked NAV:					
– from property completion	–	2,695	–	–	2,695
– arising from development	–	(13,646)	–	–	(13,646)
Total effect on adjusted net assets	(19,609)	(6,674)	(16,880)	(3,354)	(46,517)

Property valuation movements

2008	Current assets		Fixed assets		Total
	Cost of sales impairments £'000	Revenue/cost of sales disposal £'000	Net valuation movement £'000	Loss on disposal £'000	
Development					
Property under development	(19,487)	–	–	–	(19,487)
Investment property under development	–	–	(2,541)	–	(2,541)
Completed property	(1,228)	10,518	–	–	9,290
Investment property	–	–	10,473	–	10,473
Share of joint venture	–	–	2,222	–	2,222
Work in progress write downs	(10,774)	–	–	–	(10,774)
	(31,489)	10,518	10,154	–	(10,817)
Investment					
Investment property	–	–	(30,852)	–	(30,852)
Share of joint venture	–	–	(10,573)	(56)	(10,629)
Loss on disposal of investment property	–	–	–	(12,396)	(12,396)
	–	–	(41,425)	(12,452)	(53,877)
Tangible fixed assets	–	–	(325)	–	(325)
Total effect on net assets	(31,489)	10,518	(31,596)	(12,452)	(65,019)
Impact of unbooked NAV:					
– arising from development	–	(9,789)	–	–	(9,789)
Total effect on adjusted net assets	(31,489)	729	(31,596)	(12,452)	(74,808)

2. Segment reporting (continued)

(c) Segment result (see through basis)

Information on the Group's investment activities on a see through basis (showing the Group's share of joint ventures), including an allocation of interest, is set out below.

2009

	100% UNITE			Share of co-invested joint ventures				Group on see through basis	
	Wholly Owned £'000	Leased/Other £'000	Total £'000	USAF £'000	Capital Cities £'000	Student Village £'000	OCB £'000	Total £'000	
Rental income	43,200	14,961	58,161	14,522	6,610	2,587	–	23,719	81,880
Property operating expenses (excl. lease rentals)	(12,921)	(5,767)	(18,688)	(4,016)	(1,266)	(759)	–	(6,041)	(24,729)
Net operating income	30,279	9,194	39,473	10,506	5,344	1,828	–	17,678	57,151
Management fees	–	6,404	6,404	–	(446)	–	–	(446)	5,958
Administrative expenses	–	(13,875)	(13,875)	–	–	–	–	–	(13,875)
Investment segment result before interest and operating lease rentals	30,279	1,723	32,002	10,506	4,898	1,828	–	17,232	49,234
Operating lease rentals	–	(10,728)	(10,728)	–	–	–	–	–	(10,728)
Loan interest and similar charges	(13,284)	–	(13,284)	(4,970)	(3,614)	(1,270)	–	(9,854)	(23,138)
Interest rate swap payments	(9,684)	–	(9,684)	–	–	–	–	–	(9,684)
Finance income	480	–	480	22	12	16	2	52	532
Financing costs	(22,488)	(10,728)	(33,216)	(4,948)	(3,602)	(1,254)	2	(9,802)	(43,018)
Investment segment result	7,791	(9,005)	(1,214)	5,558	1,296	574	2	7,430	6,216

Property operating expenses and operating lease rentals are shown as cost of sales in Note 2(a). Operating lease rentals result from sale and leaseback transactions which are considered a form of financing, hence the costs are shown next to interest above.

2008

	100% UNITE			Share of co-invested joint ventures				Group on see through basis
	Wholly Owned £'000	Leased/Other £'000	Total £'000	USAF £'000	Capital Cities £'000	Student Village £'000	Total £'000	Total £'000
Rental income	44,895	12,948	57,843	13,032	5,016	2,343	20,391	78,234
Property operating expenses (excl. lease rentals)	(15,209)	(5,710)	(20,919)	(3,990)	(708)	(568)	(5,266)	(26,185)
Net operating income	29,686	7,238	36,924	9,042	4,308	1,775	15,125	52,049
Joint venture management fees	–	5,237	5,237	–	(336)	–	(336)	4,901
Administrative expenses	–	(13,680)	(13,680)	–	–	–	–	(13,680)
Investment segment result before interest and operating lease rentals	29,686	(1,205)	28,481	9,042	3,972	1,775	14,789	43,270
Operating lease rentals	–	(9,109)	(9,109)	–	–	–	–	(9,109)
Loan interest and similar charges	(28,365)	–	(28,365)	(4,505)	(2,646)	(1,561)	(8,712)	(37,077)
Interest rate swap receipts	1,409	–	1,409	–	–	–	–	1,409
Finance income	1,877	–	1,877	342	95	140	577	2,454
Financing costs	(25,079)	(9,109)	(34,188)	(4,163)	(2,551)	(1,421)	(8,135)	(42,323)
Investment segment result	4,607	(10,314)	(5,707)	4,879	1,421	354	6,654	947

Property operating expenses and operating lease rentals are shown as cost of sales in Note 2(a). Operating lease rentals result from sale and leaseback transactions which are considered a form of financing, hence the costs are shown next to interest above.

Notes to the Financial Statements
continued

2. Segment reporting (continued)

(d) Segment assets and liabilities (see through basis)

31 December 2009

	100% UNITE Wholly Owned £'000	Share of co-invested joint ventures					Total £'000	Group on see through basis
		USAF £'000	Capital Cities £'000	Student Village £'000	OCB £'000	Total £'000		Total £'000
Investment property	403,600	163,747	110,922	29,495	–	304,164	707,764	
Investment property under development	–	–	150	–	30,938	31,088	31,088	
Completed property	204,113	–	–	–	–	–	204,113	
Property under development	38,097	–	–	–	–	–	38,097	
Investment & development property	645,810	163,747	111,072	29,495	30,938	335,252	981,062	
Cash – investment	48,429	13,684	2,043	2,241	2,047	20,015	68,444	
Other assets – investment	54,239	160	183	80	–	423	54,662	
Other assets – development	12,534	–	2	–	730	732	13,266	
Other assets	115,202	13,844	2,228	2,321	2,777	21,170	136,372	
Debt – investment	(276,020)	(77,834)	(76,004)	(22,735)	–	(176,573)	(452,593)	
Debt – development	(162,406)	–	–	–	(14,493)	(14,493)	(176,899)	
Other liabilities – investment	(45,040)	(2,376)	(1,750)	(1,920)	–	(6,046)	(51,086)	
Other liabilities – development	(27,831)	–	(267)	–	(3,717)	(3,984)	(31,815)	
Interest rate swaps	(29,401)	(1,756)	(6,148)	(1,302)	(546)	(9,752)	(39,153)	
Total liabilities	(540,698)	(81,966)	(84,169)	(25,957)	(18,756)	(210,848)	(751,546)	
Net assets attributable to owners of the parent company	220,314	95,625	29,131	5,859	14,959	145,574	365,888	
Minority Interest	150	15,009	–	–	–	15,009	15,159	
Net assets	220,464	110,634	29,131	5,859	14,959	160,583	381,047	
Adjusted net assets								
Net assets attributable to owners of the parent company	220,314	95,625	29,131	5,859	14,959	145,574	365,888	
Mark to market of interest rate swaps	29,533	1,756	6,148	1,302	546	9,752	39,285	
Valuation gain not recognised on property held at cost	17,986	–	–	–	–	–	17,986	
Deferred tax	–	–	–	(33)	–	(33)	(33)	
Adjusted net assets	267,833	97,381	35,279	7,128	15,505	155,293	423,126	
Reconciliation of segment assets and liabilities to balance sheet								
Investment assets	506,268	177,591	113,148	31,816	2,047	324,602	830,870	
Development assets	254,744	–	152	–	31,668	31,820	286,564	
Assets attributable to minority interest	335	–	–	–	–	–	335	
Total assets	761,347	177,591	113,300	31,816	33,715	356,422	1,117,769	
Interest in joint ventures	160,583							
	921,930							
Investment liabilities	(477,760)	(81,966)	(83,902)	(25,957)	(546)	(192,371)	(670,131)	
Development liabilities	(62,938)	–	(267)	–	(18,210)	(18,477)	(81,415)	
Liabilities attributable to minority interest	(185)	–	–	–	–	–	(185)	
Total liabilities	(540,883)	(81,966)	(84,169)	(25,957)	(18,756)	(210,848)	(751,731)	

See through gearing is calculated on an adjusted basis as 133% (2008: 174%).

Development assets include completed property as these are held for resale.

2. Segment reporting (continued)

(d) Segment assets and liabilities (see through basis – continued)

31 December 2008 (Restated – see Note 9)

	100% UNITE Wholly Owned £'000	Share of co-invested joint ventures				Group on see through basis
		USAF £'000	Capital Cities £'000	Student Village £'000	Total £'000	Total £'000
Investment property	403,700	166,381	116,919	29,040	312,340	716,040
Investment property under development	52,989	–	150	–	150	53,139
Completed property	75,214	–	–	–	–	75,214
Property under development	249,124	–	–	–	–	249,124
Investment & development property	781,027	166,381	117,069	29,040	312,490	1,093,517
Cash	111,845	3,998	2,310	3,576	9,884	121,729
Other assets – investment	65,971	586	142	3,505	4,233	70,204
Other assets – development	14,934	–	166	–	166	15,100
Other assets	192,750	4,584	2,618	7,081	14,283	207,033
Debt – investment	(381,587)	(89,132)	(74,989)	(22,972)	(187,093)	(568,680)
Debt – development	(259,653)	–	–	–	–	(259,653)
Other liabilities – investment	(53,272)	(3,040)	(1,354)	(7,337)	(11,731)	(65,003)
Other liabilities – development	(27,272)	–	(1,926)	–	(1,926)	(29,198)
Interest rate swap	(47,776)	(2,001)	(7,046)	(1,027)	(10,074)	(57,850)
Total liabilities	(769,560)	(94,173)	(85,315)	(31,336)	(210,824)	(980,384)
Net assets attributable to owners of the parent company	204,217	76,792	34,372	4,785	115,949	320,166
Minority Interest	50	–	–	–	15,150	15,200
Net assets	204,267	91,942	34,372	4,785	131,099	335,366
Adjusted net assets						
Net assets attributable to owners of the parent company	204,217	76,792	34,372	4,785	115,949	320,166
Mark to market of interest rate swaps	46,668	2,001	7,046	1,027	10,074	56,742
Valuation gain not recognised on property held at cost	28,937	–	–	–	–	28,937
Deferred tax	–	–	–	85	85	85
Adjusted net assets	279,822	78,793	41,418	5,897	126,108	405,930
Reconciliation of segment assets and liabilities to balance sheet						
Investment assets	581,516	170,964	119,371	36,121	326,456	907,972
Development assets	392,261	–	316	–	316	392,577
Assets attributable to minority interest	50	–	–	–	–	50
Total assets	973,827	170,964	119,687	36,121	326,772	1,300,599
Interest in joint ventures	131,099					
	1,104,926					
Investment liabilities	(486,544)	(94,172)	(83,389)	(31,336)	(208,897)	(695,441)
Development liabilities	(283,016)	–	(1,926)	–	(1,926)	(284,942)
Total liabilities	(769,560)	(94,172)	(85,315)	(31,336)	(210,823)	(980,383)

See through gearing is calculated on an adjusted basis at 174%.

Development assets include completed property as these are held for resale.

Notes to the Financial Statements
continued

2. Segment reporting (continued)

(d) Segment assets and liabilities (see through basis – continued)

31 December 2007 (Restated – see Note 9)

	100% UNITE Wholly Owned £'000	Share of co-invested joint ventures				Group on see through basis
		USAF £'000	Capital Cities £'000	Student Village £'000	Total £'000	Total £'000
Investment property	597,747	167,042	67,593	31,826	266,461	864,208
Investment property under development	102,180	–	36,001	–	36,001	138,181
Property under development	121,936	–	–	–	–	121,936
Investment and development property	821,863	167,042	103,594	31,826	302,462	1,124,325
Cash	56,316	4,158	2,522	3,910	10,590	66,906
Other assets – investment	58,386	509	1,113	95	1,717	60,103
Other assets – development	111,728	–	365	–	365	112,093
Interest rate swaps	1,103	–	–	338	338	1,441
Other assets	227,533	4,667	4,000	4,343	13,010	240,543
Debt – investment	(409,253)	(78,398)	(43,696)	(23,552)	(145,646)	(554,899)
Debt – development	(185,898)	–	(20,458)	–	(20,458)	(206,356)
Other liabilities – investment	(62,471)	(3,293)	(1,228)	(3,895)	(8,416)	(70,887)
Other liabilities – development	(55,330)	–	(4,247)	–	(4,247)	(59,577)
Interest rate swaps	(8,803)	(228)	(434)	–	(662)	(9,465)
Other liabilities – unallocated	(12,873)	–	–	(718)	(718)	(13,591)
Total liabilities	(734,628)	(81,919)	(70,063)	(28,165)	(180,147)	(914,775)
Net assets	314,768	89,790	37,531	8,004	135,325	450,093
Adjusted net assets						
Net assets attributable to owners of the parent company	314,768	89,790	37,531	8,004	135,325	450,093
Mark to market of interest rate swaps	6,828	228	434	(338)	324	7,152
Valuation gain not recognised on property held at cost	38,726	–	–	–	–	38,726
Deferred tax	12,873	–	–	718	718	13,591
Adjusted net assets	373,195	90,018	37,965	8,384	136,367	509,562
Reconciliation of segment assets and liabilities to balance sheet						
Investment assets	713,552	171,709	71,228	36,169	279,106	992,658
Development assets	335,844	–	36,366	–	36,366	372,210
Total assets	1,049,396	171,709	107,594	36,169	315,472	1,364,868
Interest in joint ventures	135,325					
	1,184,721					
Investment liabilities	(480,527)	(81,919)	(45,358)	(27,447)	(154,724)	(635,251)
Development liabilities	(241,228)	–	(24,705)	–	(24,705)	(265,933)
Unallocated liabilities	(12,873)	–	–	(718)	(718)	(13,591)
Total liabilities	(734,628)	(81,919)	(70,063)	(28,165)	(180,147)	(914,775)

See through gearing is calculated on an adjusted basis at 136%.

Development assets include completed property as these are held for resale.

3. Expenses

Group result before tax is stated after charging:

	2009		2008	
	£'000	£'000	£'000	£'000
Auditor's remuneration				
Fees payable to the Company's auditor for the audit of the Company's financial statements		186		186
Fees payable to the Company's auditor for other services:				
– The audit of the Company's subsidiaries		90		65
– Taxation		440		238
– Relating to corporate finance transactions		459		500
– Other services		–		10
Depreciation of property, plant and equipment		1,361		1,403
Net valuation losses on investment property:				
– Investment property	8,460		20,379	
– Write down of investment property under development	6,682		4,638	
– Freehold land and buildings	195		325	
		15,337		25,342
Loss on disposal of investment property to:				
– USAF (see Note 9)	–		5,412	
– Other purchasers	3,416		6,984	
		3,416		12,396
Loss on the part disposal of joint ventures		–		2,464
Amortisation of intangible assets other than goodwill (included in administrative expenses)		1,998		1,953
Rentals paid under operating leases		13,331		11,899

Non-audit fees in respect of the parent company are included within the Group amounts as disclosed above.

4. Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2009	2008
Managerial and administrative	376	466
Site operatives	515	542
	891	1,008

The aggregate payroll costs of these persons were as follows:

	2009	2008
	£'000	£'000
Wages and salaries	27,841	30,741
Social security costs	2,847	3,141
Pension costs	593	788
Fair value of share-based payments	413	308
	31,694	34,978

Notes to the Financial Statements continued

4. Staff numbers and costs (continued)

Company

The employees are paid by one of the Company's wholly owned subsidiaries, UNITE Integrated Solutions plc, which recharges various corporate costs to the Company (see Note 22).

Directors remuneration

	2009 £'000	2008 £'000
Directors' emoluments	1,192	1,611

The aggregate amount paid to money purchase pension schemes in respect of the Directors for the year was £78,200 (2008: £99,845). Retirement benefits accrued to three directors during the year (2008: four directors).

Full details of Directors' remuneration are disclosed on pages 38 to 44.

Company

The directors are paid by one of the Company's wholly owned subsidiaries, UNITE Integrated Solutions plc, which recharges various corporate costs to the Company (see Note 22). Included within these recharges is £0.658 million (2008: £0.580 million) in respect of Board services.

5. Net finance costs

Group

	2009 £'000	2008 Restated £'000
Recognised in the income statement:		
Finance income		
– Interest income on deposits	(480)	(1,877)
– Impact of discounting on interest free joint venture investment loans (Note 9)	(411)	(334)
Finance income	(891)	(2,211)
Gross interest expense on loans	24,183	48,789
Interest capitalised	(10,899)	(20,424)
Loan break costs	24	478
Loan interest and similar charges	13,308	28,843
Changes in fair value of interest rate swaps		
– transferred from equity	–	1,586
– relating to ineffective hedges	6,737	30,828
	6,737	32,414
Finance costs	20,045	61,257
Net finance costs	19,154	59,046
Recognised directly in equity:		
Changes in fair value of interest rate swaps		
– transferred to income statement	–	(1,586)
– relating to effective hedges	(3,473)	7,604
	(3,473)	6,018

6. Tax credit

Group

Recognised in the income statement:

	2009 £'000	2008 £'000
Current tax expense		
Corporation tax in respect of income	–	–
Income tax on UK rental income arising in overseas group company	461	301
Corporation tax in respect of UK rental income arising in overseas group company	–	101
Adjustments for prior years	(75)	(378)
	386	24
Deferred tax credit		
Origination and reversal of temporary differences	(333)	(12,093)
Adjustments for prior years	(1,286)	(442)
	(1,619)	(12,535)
Total tax credit in income statement	(1,233)	(12,511)

Reconciliation of effective tax rate:

	2009		2008	
	%	£'000	%	£'000
Loss before tax	(100.0)%	(35,683)	(100.0)%	(128,853)
Income tax using the domestic corporation tax rate	(28.0)%	(9,991)	(28.5)%	(36,723)
Effect of indexation on investment and development property	0.9%	317	0.8%	986
Non-deductible expenses	9.0%	3,210	3.4%	4,433
Share of joint venture profit	(1.1)%	(375)	0.5%	639
Movement on unprovided deferred tax asset	22.3%	7,962	19.1%	24,613
Effect of property disposals to USAF	(2.8)%	(995)	(4.7)%	(6,053)
Adjustments for prior years – deferred tax	(3.6)%	(1,286)	(0.3)%	(442)
Adjustments for prior years – current tax	(0.2)%	(75)	(0.3)%	(378)
Rate difference on deferred tax	0.0%	–	0.3%	414
	(3.5)%	(1,233)	(9.7)%	(12,511)

Effects of other comprehensive income:

	2009			2008		
	Gross £'000	Tax £'000	Net £'000	Gross £'000	Tax £'000	Net £'000
Revaluation of investment property under development	–	–	–	2,097	(587)	1,510
Movements on effective hedges	3,473	(1,619)	1,854	(7,603)	1,778	(5,825)
Gains on hedging instruments transferred to income statement	–	–	–	1,142	–	1,142
Share of other comprehensive income of joint ventures	574	–	574	(8,242)	(409)	(8,651)
	4,047	(1,619)	2,428	(12,606)	782	(11,824)

The tax effect shown above on the share of joint venture other comprehensive income represents deferred tax arising in the Group's own balance sheet due to the tax see through nature of some of the Group's interests in joint ventures.

Notes to the Financial Statements
continued

7. Investment and development property

2009	Investment property £'000	Investment property under development £'000	Completed property £'000	Property under development £'000	Total £'000
At 1 January 2009	403,700	52,989	75,214	249,124	781,027
Cost capitalised	3,401	13,063	–	95,415	111,879
Interest capitalised	138	1,229	–	9,255	10,622
Transfer from property under development	–	–	214,898	(214,898)	–
Transfer from investment property under development	60,599	(60,599)	–	–	–
Transfer from work in progress	–	–	–	503	503
Disposals	(55,778)	–	(80,669)	(89,611)	(226,058)
Net realisable value provision	–	–	(5,330)	(11,691)	(17,021)
Valuation gains	5,670	486	–	–	6,156
Valuation losses	(14,130)	(7,168)	–	–	(21,298)
Net valuation losses	(8,460)	(6,682)	–	–	(15,142)
At 31 December 2009	403,600	–	204,113	38,097	645,810
Carrying value of properties on which borrowings are secured	392,660	–	164,339	22,240	579,239

2008	Investment property £'000	Investment property under development £'000	Completed property £'000	Property under development £'000	Total £'000
At 1 January 2008	597,747	102,180	–	121,936	821,863
Cost capitalised	4,577	37,808	–	146,833	189,218
Interest capitalised	311	3,894	–	15,011	19,216
Transfer from property under development	–	–	87,757	(87,757)	–
Transfer from land held for development	–	–	–	70,297	70,297
Transfer from investment property under development	88,352	(88,352)	–	–	–
Transfer from work in progress	–	–	40,119	2,291	42,410
Disposals	(266,908)	–	(51,434)	–	(318,342)
Net realisable value provision	–	–	(1,228)	(19,487)	(20,715)
Valuation gains	15,387	3,389	–	–	18,776
Valuation losses:					
– Recognised in equity	–	(1,292)	–	–	(1,292)
– Recognised in the income statement	(35,766)	(4,638)	–	–	(40,404)
Net valuation losses	(20,379)	(2,541)	–	–	(22,920)
At 31 December 2008	403,700	52,989	75,214	249,124	781,027
Carrying value of properties on which borrowings are secured	402,190	52,989	75,214	249,124	779,517

Property has been valued on the basis of “market value” as defined in the RICS Appraisal and Valuation Manual issued by the Royal Institution of Chartered Surveyors as determined by CB Richard Ellis Ltd, Jones Lang LaSalle Ltd and Messrs King Sturge, Chartered Surveyors as external valuers. Investment property and investment property under development are carried at fair value. Property under development of £38.907 million (2008: £249.124 million) and Completed property of £204.113 million (2008: £75.214 million) held in current assets are carried at the lower of cost and net realisable value, but their fair values have been determined as described below.

Following the formation of the UNITE UK Student Accommodation Fund it is likely that the fund will acquire the Group's future developments. Hence properties acquired with the intention of selling them to the UNITE UK Student Accommodation Fund following completion are treated as property under development in current assets, (carried at the lower of cost and net realisable value), rather than fixed assets, (carried at fair value). The impact if these properties were carried at fair value rather than cost is set out in the table below:

At 31 December 2009 property under development comprised entirely of properties where planning has been obtained but the development process has not yet reached the construction stage.

7. Investment and development property (continued)

2009	Investment property £'000	Investment property under development £'000	Completed property £'000	Property under development £'000	Total £'000
At 31 December 2009	403,600	–	204,113	38,097	645,810
Valuation gain not recognised on property held at cost	–	–	17,177	809	17,986
Fair value at 31 December 2009	403,600	–	221,290	38,906	663,796

2008	Investment property £'000	Investment property under development £'000	Completed property £'000	Property under development £'000	Total £'000
At 31 December 2008	403,700	52,989	75,214	249,124	781,027
Valuation gain not recognised on property held at cost	–	–	5,026	23,911	28,937
Fair value at 31 December 2008	403,700	52,989	80,240	273,035	809,964

Included within investment properties and investment properties under development are the following values in respect of leasehold interests:

2009	Investment property £'000	Investment property under development £'000	Completed property £'000	Property under development £'000	Total £'000
Valuation and net book value					
Long leasehold	43,200	–	–	–	43,200
Short leasehold	10,380	–	–	–	10,380
	53,580	–	–	–	53,580

2008	Investment property £'000	Investment property under development £'000	Completed property £'000	Property under development £'000	Total £'000
Valuation and net book value					
Long leasehold	46,170	–	–	–	46,170
Short leasehold	10,660	–	–	–	10,660
	56,830	–	–	–	56,830

The total interest included in investment and development properties at 31 December 2009 was £36.385 million (2008: £40.772 million). Total internal costs relating to manufacturing, construction and development costs of Group properties, which have been deducted in arriving at the revaluation uplifts, recognised on these properties, amount to £48.995 million at 31 December 2009 (2008: £56.119 million).

Notes to the Financial Statements
continued

8. Property, plant and equipment

2009	Freehold land and buildings £'000	Leasehold Improvements £'000	Motor vehicles, plant and equipment £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost or valuation					
At 1 January 2009	1,420	2,175	6,654	7,908	18,157
Additions	–	27	438	421	886
Disposals	–	–	(26)	(18)	(44)
Revaluation	(195)	–	–	–	(195)
At 31 December 2009	1,225	2,202	7,066	8,311	18,804
Depreciation and impairment losses					
At 1 January 2009	420	858	3,346	5,503	10,127
Depreciation charge for the year	105	267	475	514	1,361
Disposals	–	(35)	–	–	(35)
At 31 December 2009	525	1,090	3,821	6,017	11,453
Carrying amount at 31 December 2009	700	1,112	3,245	2,294	7,351
<hr/>					
2008	Freehold land and buildings £'000	Leasehold Improvements £'000	Motor vehicles, plant and equipment £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost or valuation					
At 1 January 2008	1,745	2,021	6,306	7,746	17,818
Additions	–	256	348	162	766
Disposals	–	(102)	–	–	(102)
Revaluation	(325)	–	–	–	(325)
At 31 December 2008	1,420	2,175	6,654	7,908	18,157
Depreciation and impairment losses					
At 1 January 2008	245	607	2,962	4,910	8,724
Depreciation charge for the year	175	251	384	593	1,403
At 31 December 2008	420	858	3,346	5,503	10,127
Carrying amount at 31 December 2008	1,000	1,317	3,308	2,405	8,030

Valuation

Freehold land and buildings are carried at fair value on the basis of "market value" as defined in the RICS Appraisal and Valuation Manual issued by the Royal Institution of Chartered Surveyors as determined by Messrs King Sturge, Chartered Surveyors as external valuers.

The freehold land and buildings carried at value have an historic cost of £1.807 million (2008: £1.807 million).

9. Investments in subsidiaries and joint ventures

Group

Reclassification of joint venture loans and investments

The Group finances its joint ventures through a mixture of interest free loans and capital contributions. The group has reclassified certain of the loans and capital contributions it makes to its joint ventures from current other receivables to non-current asset joint venture investment loans and investment in joint ventures to reflect their respective terms.

All partners finance the joint ventures on the same terms, hence the finance income now arising on these receivables equals the increase in the share of joint venture loss. This adjustment therefore has no effect on the result for the year or net assets.

The amounts reclassified from current other receivables (2008: £51.913 million and 2007: £45.645 million) have been taken to joint venture investment loans (2008: £2.157 million and 2007: £1.961 million) and investment in joint ventures (2008: £49.756 million and 2007: £43.684 million). The Group and the Company have also now discounted the joint venture loans already held as non-current other receivables, of £3.667 million in 2008 and 2007 reducing those amounts by £207,000 and £521,000 in those years respectively and increasing the investment in joint ventures by the same amount. These loans are now amalgamated with the other reclassified receivables in joint venture investment loans.

The unwinding of the discount on the interest free loans has increased the Group's finance income in 2008 by £334,000. As noted above this is offset by an increase in the share of joint venture loss and so has no effect on the result for the year. The Company accounts for its investments in joint ventures at fair value with changes being taken to reserves, consequentially the unwinding of the discount has caused the Company's loss for 2008 to be reduced by £315,000.

As a result of these reclassifications restated balance sheets for 2007 have been presented as required by IAS1 Presentation of Financial Statements.

Group

	2009			2008 Restated		
	Investment in joint venture £'000	Joint venture investment loan £'000	Total interest £'000	Investment in joint venture £'000	Joint venture investment loan £'000	Total interest £'000
Share of profit:						
Investment segment result	7,430	–	7,430	6,654	–	6,654
Minority interest share of investment segment result	1,150	–	1,150	80	–	80
Overheads	(499)	–	(499)	(293)	–	(293)
Net revaluation loss	(1,473)	–	(1,473)	(10,360)	–	(10,360)
Current tax	683	–	683	–	–	–
Deferred tax	41	–	41	244	–	244
Share of Landsbanki provision	–	–	–	(6,120)	–	(6,120)
Impact of discounting on interest free loans	(411)	411	–	(334)	334	–
Other	8	–	8	(190)	–	(190)
	6,929	411	7,340	(10,319)	334	(9,985)
Share of items recognised directly in equity:						
– valuation gains	–	–	–	1,519	–	1,519
– movement in effective hedges	497	–	497	(10,150)	–	(10,150)
– deferred tax on movement in effective hedges	77	–	77	389	–	389
Additions	25,825	6,082	31,907	24,585	–	24,585
Disposals	–	–	–	(2,924)	–	(2,924)
Profit adjustment related to trading with joint venture	(3,542)	128	(3,414)	(2,579)	177	(2,402)
Distributions received	(6,923)	–	(6,923)	(5,258)	–	(5,258)
	22,863	6,621	29,484	(4,737)	511	(4,226)
At start of year	125,481	5,618	131,099	130,218	5,107	135,325
At end of year	148,344	12,239	160,583	125,481	5,618	131,099

The impact of discounting the interest free joint venture loans is included in the finance income as disclosed in Note 5.

9. Investments in subsidiaries and joint ventures (continued)

During 2008 USAF Feeder (Guernsey) Ltd was formed, as a subsidiary of the Group, to invest in the UNITE UK Student Accommodation Fund. Some of the Group's unit holding in the fund was transferred to this company. In addition, USAF Feeder (Guernsey) Ltd issued a further £16 million of share capital to an investor, the proceeds of which were used to purchase new units in the fund. The investor's interest in USAF Feeder (Guernsey) Ltd is accounted for as a minority interest in the consolidated accounts. Note 2(d) Segment assets and liabilities (see through basis) shows details of the value of the minority interest's investment.

The Group's interests in joint ventures are held at a carrying value equivalent to its share of the underlying net asset value of the undertaking. The Group's share of joint ventures' results are as follows:

	2009 Profit £'000	2009 Gains/(losses) recognised directly in equity £'000	2008 Profit Restated £'000	2008 Losses recognised directly in equity Restated £'000
Capital Cities JV	(5,109)	898	3,093	(5,082)
Student Village JV				
– LDC (Project 110) Ltd	1,722	(198)	(2,507)	–
– LDC (Project 170) Ltd	3	–	108	(987)
UNITE UK Student Accommodation Fund	8,608	365	(11,013)	(2,173)
OCB	1,705	(491)	–	–
	6,929	574	(10,319)	(8,242)

The UNITE UK Student Accommodation Fund is the joint venture formed with a consortium of investors in December 2006. This joint venture takes the form of a Jersey unit trust that controls a number of English limited partnerships in which the general partners are USAF GP No.1 Ltd, USAF GP No.4 Ltd, USAF GP No.5 Ltd, USAF GP No.6 Ltd, USAF GP No.8 Ltd, USAF GP No.10 Ltd and USAF GP No.11 Ltd, companies incorporated in England and Wales.

The agreements integral to the above, which include the Group assuming delegated responsibility for property and asset management of the venture, result in the Group having joint control of these entities with the investors.

The Group receives management fees and is entitled to a promote fee if the venture outperforms certain benchmarks. This promote fee takes the form of increasing the Group's capital participation in the joint venture. The impact of these fees on the Group results is summarised below.

During the year the Group sold a further five (2008: 13) properties into the joint venture for £95.440 million (2008: £171.915 million), this includes £95.440 million (2008: £64.492 million) of completed property held as inventory. The profits relating to sales and associated disposal costs and related cash flows are set out below:

	Profit and loss 2009 £'000	Profit and loss 2008 £'000
Included in turnover (net of joint venture trading adjustment)	92,839	61,890
Included in cost of sales	(83,645)	(51,481)
Loss relating to the sale of investment properties to USAF pre disposal costs	–	(5,080)
Disposal costs	(91)	(268)
Goodwill impairment	–	(64)
Profit on disposal of property	9,103	4,997

9. Investments in subsidiaries and joint ventures (continued)

	Cash flow 2009 £'000	Cash flow 2008 £'000
Completed property		
Gross proceeds	95,440	64,492
Part settled by:		
Investment in joint venture	(18,601)	–
Net cash flows included in cash flows from operations	76,839	64,492
Investment property		
Gross proceeds	–	107,423
Part settled by:		
Investment in joint venture	–	(6,268)
Equity redeemed on reduction of percentage holding	–	1,698
Disposal costs	–	(268)
Net cash flows in investing activities	–	102,585

The goodwill impairment charged against the loss on disposal relates to synergistic benefits associated with the disposed properties.

During the year the Group's interest in the UNITE UK Student Accommodation Fund was diluted from 22.2% to 18.9% as a result of new equity raised from external unit holders. Some of this holding represents the beneficial interest of the minority; the ordinary shareholders of The UNITE Group Plc are beneficially interested in 16.3% of the fund (2008: 18.5%).

OCB is the joint venture formed with Oasis Capital Bank in August 2009. This joint venture takes the form of companies held by OCB Property Holdings (Jersey) Ltd in which the Group has a 25% interest.

The agreements integral to the above, which include the Group assuming delegated responsibility for development, property and asset management of the venture, result in the Group having joint control of these entities with the investors.

The Group receives management fees from the joint venture and recharges other costs in relation to the investment property under development. The impact of these fees on the Group results is summarised below.

During the year the Group sold three properties under development into the joint venture for £88.172 million. The profits relating to sales and associated disposal costs and related cash flows are set out below:

	Profit and loss 2009 £'000	Profit and loss 2008 £'000
Included in turnover (net of joint venture trading adjustment)	88,602	–
Included in cost of sales	(89,777)	–
Disposal costs	(116)	–
Loss on disposal of property	(1,291)	–
	Cash flow 2009 £'000	Cash flow 2008 £'000
Gross proceeds	88,172	–
Part settled by:		
Investment in joint venture	(3,643)	–
Investment loan to joint venture	(9,357)	–
Net cash flows included in cash flows from operations	75,172	–

9. Investments in subsidiaries and joint ventures (continued)

The Capital Cities JV is the joint venture formed with GIC Real Estate Pte Ltd, a real estate investment vehicle of the Government of Singapore, to develop and operate student accommodation in the capital cities of London, Edinburgh, Dublin and Belfast, in which the Group owns a 30% equity share. This joint venture takes the form of a English limited partnership in which the general partner is LDC (Capital Cities) Ltd, a company incorporated in England and Wales.

The agreements integral to the above, which include the Group assuming primary responsibility for development, property and asset management of the venture, result in the Group having joint control of this entity in conjunction with the majority partner.

The Group receives management fees from the joint venture and recharges other costs in relation to the investment property under development. The impact of these fees on the Group results is summarised below.

The Capital Cities JV properties are partly funded with debt totalling £253.347 million (2008: £249.963 million) which equates to 68.4% (2008: 64.1%) of the market value of these properties. The Group has guaranteed its share, 30%, of this debt amounting to £76.004 million (2008: £74.989 million). This guarantee only takes effect in the event that the joint venture is unable to repay the debt within nine months of it becoming due. The Group considers the likelihood of the guarantee being invoked to be remote based on the level of debt and the time frames allowed under the arrangements. These guarantees are accounted for in accordance with IFRS 4.

The Group's joint venture in student villages with Lehman Brothers is held in LDC (Project 110) Ltd and LDC (Project 170) Ltd, companies incorporated in England and Wales, whose principal activity is the construction and letting of investment property. Under the Articles of Association, the Group cannot exercise control over these companies and its interest amounts to a 51% share of the profits and assets of the joint venture, although it holds a 75% interest in the ordinary shares. The interests of Lehman Brothers are now managed by their administrator PricewaterhouseCoopers. Under the articles of LDC (Project 170) Ltd, the Group is additionally entitled to the first £1.250 million of net assets on any winding up of the company. The impact of amounts charged to LDC (Project 110) Ltd and LDC (Project 170) Ltd in respect of fees and construction costs on the Groups results is summarised below.

The impact of joint venture management and promote fees and development sales on the Group results is as follows:

	2009 £'000	2008 £'000
Management Fees		
UNITE UK Student Accommodation Fund	3,368	2,758
Capital Cities JV	2,801	2,479
	6,169	5,237
Development Sales		
Capital Cities	166	698
Student Village JVs		
– LDC (Project 110) Ltd	–	42
OCB JV	947	–
	1,113	740

9. Investments in subsidiaries and joint ventures (continued)

Summary financial information on joint ventures

	100%			UNITE share		
	2009 £'000	2008 Restated £'000	2007 Restated £'000	2009 £'000	2008 Restated £'000	2007 Restated £'000
UNITE UK Student Accommodation Fund				18.9%	22.2%	20.1%
Non-current assets	1,002,860	897,126	834,544			
Current assets	84,779	24,713	22,175			
Current liabilities	(16,610)	(22,100)	(17,992)			
Non-current liabilities	(487,461)	(487,043)	(392,585)			
Net assets/equity	583,568	412,696	446,142			
Represented by:						
Net assets attributable to the USAF fund unitholders	524,771	371,033	400,925	52,198	50,526	44,646
Direct interest in partnership reserves	56,424	39,505	43,256	56,063	39,258	43,183
Total equity/joint venture carrying value	581,195	410,538	444,181	108,261	89,784	87,829
Minority partnership loans (classified as debt)	2,373	2,158	1,961	2,373	2,158	1,961
Underlying capital employed	583,568	412,696	446,142	110,634	91,942	89,790
Profit/(loss) for the period	25,438	(64,521)				
Capital Cities joint venture				30%	30%	30%
Non-current assets	370,345	366,848	343,990			
Current assets	7,324	8,573	12,831			
Current liabilities	(6,724)	(10,884)	(17,872)			
Non-current liabilities	(273,842)	(249,963)	(213,847)			
Net assets/equity	97,103	114,574	125,102	29,131	34,372	37,531
(Loss)/profit for the period	(17,030)	10,310				
Student Village JV – LDC (Project 110) Limited				51%	51%	51%
Non-current assets	58,990	56,026	63,600			
Current assets	1,859	2,274	2,787			
Current liabilities	(6,128)	(7,459)	(6,100)			
Non-current liabilities	(51,579)	(49,251)	(51,421)			
Net assets/equity	3,142	1,590	8,866	1,571	795	4,433
Profit/(loss) for the period	3,444	(5,014)				
Student Village JV – LDC (Project 170) Limited				51%	51%	51%
Non-current assets	–	–	–			
Current assets	2,718	5,123	5,951			
Current liabilities	(1,815)	(4,063)	(5,101)			
Non-current liabilities	–	–	–			
Net assets/equity	903	1,060	850	452	530	425
Profit for the period	6	216				
OCB joint venture				25%	–	–
Non-current assets	123,750	–	–			
Current assets	11,111	–	–			
Current liabilities	(15,269)	–	–			
Non-current liabilities	(83,878)	–	–			
Net assets/equity	35,714	–	–	8,929	–	–
Profit for the period	6,820	–				
Investments in joint ventures per balance sheet				148,344	125,481	130,218

9. Investments in subsidiaries and joint ventures (continued)

Company

	Unlisted subsidiary undertakings		Investment in joint ventures		
	2009 £'000	2008 £'000	2009 £'000	2008 Restated £'000	2007 Restated £'000
Cost or valuation					
At start of year	115,810	238,195	764	4,433	5,925
Additions	14,572	–	34	–	–
Impact of discounting on interest free loans	–	–	(103)	(315)	(286)
Revaluation	(33,564)	(122,385)	876	(3,354)	(1,206)
At end of year	96,818	115,810	1,571	764	4,433

	Joint venture investment loan		
	2009 £'000	2008 £'000	2007 £'000
Investment loan to Student Village joint venture	3,836	3,461	3,146

The company has the following investments in principal subsidiaries and joint ventures:

	Country of incorporation	Class of Shares held	Ownership	
			2009	2008
LDC (Holdings) plc	England and Wales	Ordinary	100%	100%
UNITE Holdings plc	England and Wales	Ordinary	100%	100%
UNITE Finance Ltd	England and Wales	Ordinary	100%	100%
LDC (Portfolio Four) Ltd	England and Wales	Ordinary	100%	100%
UNITE London Ltd	England and Wales	Ordinary	100%	100%
Unilodge Holding Ltd	Guernsey	Ordinary	100%	100%
LDC (Project 110) Ltd	England and Wales	Ordinary	75%	75%
UNITE Integrated Solutions plc	England and Wales	Ordinary	100%	100%
UNITE Modular Solutions Ltd	England and Wales	Ordinary	100%	100%
USAF LP Ltd	England and Wales	Ordinary	100%	100%
USAF Jersey Investments Ltd	Jersey	Ordinary	100%	100%
UNITE (Capital Cities) Jersey Ltd	Jersey	Ordinary	100%	100%
LDC (Imperial Wharf) Ltd	England and Wales	Ordinary	100%	100%
LDC (MTF Portfolio) Ltd	England and Wales	Ordinary	100%	100%
LDC (Project 170) Ltd	England and Wales	Ordinary	75%	75%
UNITE Finance One (Property) Ltd	England and Wales	Ordinary	100%	100%
USAF Feeder (Guernsey) Ltd	Guernsey	Ordinary	51%	51%
OCB UNITE Property Holdings (Jersey) Ltd	Jersey	Ordinary	25%	–
UNITE Connaught Services Ltd	England and Wales	Ordinary	60%	–

The Company's interest in LDC (Project 110) Ltd and LDC (project 170) Ltd gives rise to joint control as explained above.

The Company owns a controlling interest in USAF Feeder (Guernsey) Ltd.

10. Intangible assets

Group

2009	Goodwill £'000	Development costs £'000	Computer software £'000	Total £'000
Cost				
At 1 January 2009	2,625	692	11,822	15,139
Additions	–	147	1,498	1,645
Disposals	–	(18)	–	(18)
At 31 December 2009	2,625	821	13,320	16,766
Amortisation				
At 1 January 2009	2,293	217	5,410	7,920
Amortisation charge for the year	–	189	1,809	1,998
Impairment charge	332	–	–	332
Disposals	–	–	(26)	(26)
At 31 December 2009	2,625	406	7,193	10,224
Carrying amount at 31 December 2009	–	415	6,127	6,542

2008	Goodwill £'000	Development costs £'000	Computer software £'000	Total £'000
Cost				
At 1 January 2008	2,625	578	10,754	13,957
Additions	–	114	1,068	1,182
At 31 December 2008	2,625	692	11,822	15,139
Amortisation				
At 1 January 2008	2,194	81	3,593	5,868
Amortisation charge for the year	–	136	1,817	1,953
Impairment charge	99	–	–	99
At 31 December 2008	2,293	217	5,410	7,920
Carrying amount at 31 December 2008	332	475	6,412	7,219

11. Inventories

	2009 £'000	2008 £'000
Land held for development	–	5,000
Finished goods	5,206	–
Work in progress	1,364	3,664
Raw materials and consumables	1,596	1,647
	8,166	10,311

The land held for development at 31 December 2008 was written down by £10.774 million to market value in 2008 and has subsequently been sold.

At 31 December 2008, security had been given by way of a first charge over the land held for development to secure the Group's borrowings.

During the year, interest totalling £0.277 million (2008: £1.208 million) was capitalised into land held for development.

Notes to the Financial Statements continued

12. Trade and other receivables

	Group			Company	
	2009 £'000	2008 Restated £'000	2007 Restated £'000	2009 £'000	2008 £'000
Non-current					
Interest rate swaps	-	-	1,103	-	-
	-	-	1,103	-	-
Current					
Trade receivables	18,738	20,577	14,900	-	-
Amounts due from group undertakings	-	-	-	304,617	253,263
Amounts owed by joint ventures	13,153	13,050	11,711	-	-
Prepayments and accrued income	11,532	11,716	11,370	-	-
Other receivables	1,291	10,052	10,393	5	7
	44,714	55,395	48,374	304,622	253,270

13. Cash and cash equivalents

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Bank balances	48,764	111,845	1,008	-
Overdrafts (Note 15)	-	(25,077)	-	(1,730)
Cash and cash equivalents per cash flow	48,764	86,768	1,008	(1,730)

Bank balances include £17.1 million (2008: £16.3 million) whose use at the balance sheet date is restricted by funding agreements to paying operating costs and loan interest relating to specific properties, a further £nil (2008: £30.8 million) is secured against bank debt pending the refinancing of a property.

14. Trade and other payables

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Trade payables	11,816	15,269	77	31
Amounts due to group undertakings	-	-	29,674	37,804
Other payables and accrued expenses	60,765	64,903	2,512	2,738
	72,581	80,172	32,263	40,573

Trade payables include £4.048 million (2008: £6.329 million) in relation to retentions on construction contracts.

15. Borrowings and financial derivatives

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Non-current				
Bank and other loans	438,247	507,739	-	-
Interest rate swaps	29,401	44,401	-	-
	467,648	552,140	-	-
Current				
Overdrafts	-	25,077	-	1,730
Bank and other loans	179	108,424	-	-
Interest rate swaps	-	3,375	-	-
	179	136,876	-	1,730

15. Borrowings and financial derivatives (continued)

Maturity analysis

Borrowings fall due as follows:

Group

2009	Carrying value £'000	Within 1 year £'000	1-2 years £'000	2-5 years £'000	More than 5 years £'000
Bank and other loans	438,426	179	190	408,214	29,843

2008	Carrying value £'000	Within 1 year £'000	1-2 years £'000	2-5 years £'000	More than 5 years £'000
Non-derivative financial liabilities					
Bank and other loans	616,163	108,424	1,252	257,269	249,218
Bank overdrafts	25,077	25,077	–	–	–

The Group has various borrowing facilities available to it. The undrawn committed facilities available at 31 December 2009 in respect of which all conditions precedent had been met at that date were as follows:

	2009 £'000	2008 £'000
Expiring in two to five years		
Investment loan facilities	37,252	–
Expiring in one year or less		
Working capital facilities	23,000	56
	60,252	56

In addition, there are further committed facilities available where not all conditions precedent have yet been met amounting to £277 million (2008: £268 million). Of this amount £57 million (2008: £8 million) remains available only for completed properties and £32 million (2008: £20 million) only for development properties, the remaining £187 million (2008: £240 million) is available for both.

Security for the Group's property development and investment financing is by way of first charges over the properties to which they relate. In certain instances, cross guarantees are provided within the Group.

The Company has guaranteed £244.805 million of its subsidiary companies borrowings (2008: £311.435 million). The guarantees have been entered into in the normal course of business. A liability would only arise in the event of the subsidiary failing to fulfil its contractual obligations. These guarantees are accounted for in accordance with IFRS 4.

The Group's gearing ratios are calculated as follows:

	Note	2009 £'000	2008 £'000
Net debt per balance sheet:			
Cash and cash equivalents	13	48,764	111,845
Current borrowings	15	(179)	(133,501)
Non-current borrowings	15	(438,247)	(507,739)
Interest rate swaps liabilities	15	(29,401)	(47,776)
		(419,063)	(577,171)
Mark to market of interest rate swaps		29,533	46,668
Adjusted net debt		(389,530)	(530,503)
Basic net asset value		365,888	320,166
Adjusted net asset value (Note 2(d))		423,126	405,930
Basic gearing		115%	180%
Adjusted gearing		92%	131%

16. Deferred tax liabilities

Group

	Assets		Liabilities		Net
	2009 £'000	2008 £'000	2009 £'000	2008 £'000	2009 £'000
Investment property	-	-	2,834	9,988	2,834
Investment property under development	-	-	-	(156)	-
Development property held as stock	(2,911)	(4,883)	-	-	(2,911)
Property, plant and machinery	(326)	-	-	282	(326)
Investments in joint ventures	-	-	7,409	7,504	7,409
Financial instruments	(7,006)	(12,735)	-	-	(7,006)
Tax (asset)/liabilities	(10,243)	(17,618)	10,243	17,618	-
Set off of tax	10,243	17,618	(10,243)	(17,618)	-
Net tax liabilities	-	-	-	-	-

At 31 December 2009 the Group has calculated a potential deferred tax asset as shown below, however, due to the uncertainty of future taxable profits against which this asset could be realised, it is not appropriate to recognise this asset in the financial statements.

	2009 £'000	2008 £'000
Tax value of losses	33,265	24,613
Tax value of temporary timing differences	3,478	2,866
Total potential deferred tax asset	36,743	27,479

Movement in temporary timing differences during the year:

	At 31 December 2008 £'000	Transfers £'000	Recognised in equity £'000	Recognised in income £'000	At 31 December 2009 £'000
2009					
Investment property	9,988	(156)	(6,998)	-	2,834
Investment property under development	(156)	156	-	-	-
Development property held as stock	(4,883)	-	1,972	-	(2,911)
Property, plant and machinery	282	-	(608)	-	(326)
Investments in joint ventures	7,504	-	(95)	-	7,409
Financial instruments	(12,735)	-	4,110	1,619	(7,006)
	-	-	(1,619)	1,619	-

	At 31 December 2007 £'000	Transfers £'000	Recognised in equity £'000	Recognised in income £'000	At 31 December 2008 £'000
2008					
Investment property	11,563	5,067	(6,642)	-	9,988
Investment property under development	5,182	(5,067)	(858)	587	(156)
Development property held as stock	(457)	-	(4,426)	-	(4,883)
Property, plant and machinery	(390)	-	672	-	282
Investments in joint ventures	7,266	-	(171)	409	7,504
Financial instruments	(2,048)	-	(8,909)	(1,778)	(12,735)
Tax value of losses carried forward	(8,243)	-	8,243	-	-
	12,873	-	(12,091)	(782)	-

Company

Deferred tax has not been recognised on temporary timing differences of £5.056 million (2008: £14.462 million) in respect of revaluation of subsidiaries and investment in joint ventures as it is probable that the temporary timing difference will not reverse in the foreseeable future.

17. Capital and reserves

Group

	Issued share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Revaluation reserve £'000	Hedging reserve £'000	Total £'000
At 1 January 2008	30,874	174,333	40,177	187,957	17,644	(892)	450,093
Loss for the year	–	–	–	(116,342)	–	–	(116,342)
Investment property under development – revaluation	–	–	–	–	2,097	–	2,097
– deferred tax	–	–	–	–	(587)	–	(587)
Effective hedges – movements	–	–	–	–	–	(7,604)	(7,604)
– deferred tax	–	–	–	–	–	1,779	1,779
Gains on hedging instruments transferred to income statement	–	–	–	–	–	1,586	1,586
Deferred tax on gains transferred	–	–	–	–	–	(444)	(444)
Share of joint venture valuation gain (net of related tax)	–	–	–	–	1,309	–	1,309
Share of joint venture movements in effective hedges (net of related tax)	–	–	–	–	–	(9,960)	(9,960)
Transfer on completion or disposal of investment property	–	–	–	18,658	(18,658)	–	–
Shares issued	205	2,208	–	–	–	–	2,413
Fair value of share-based payments	–	–	–	308	–	–	308
Own share acquired	–	–	–	(2,192)	–	–	(2,192)
Dividends to the owners of the parent company	–	–	–	(3,090)	–	–	(3,090)
Transfer to minority interest	–	–	–	400	–	400	800
At 31 December 2008	31,079	176,541	40,177	85,699	1,805	(15,135)	320,166
Loss for the year	–	–	–	(34,450)	–	–	(34,450)
Effective hedges – movements	–	–	–	–	–	3,473	3,473
– deferred tax	–	–	–	–	–	(1,619)	(1,619)
Share of joint venture movements in effective hedges (net of related tax)	–	–	–	–	–	574	574
Transfer on completion or disposal of investment property	–	–	–	1,805	(1,805)	–	–
Shares issued	8,823	70,998	–	–	–	–	79,821
Fair value of share-based payments	–	–	–	413	–	–	413
Own share acquired	–	–	–	(1,959)	–	–	(1,959)
Transfer to minority interest	–	–	–	(411)	–	(120)	(531)
At 31 December 2009	39,902	247,539	40,177	51,097	–	(12,827)	365,888

Notes to the Financial Statements
continued

17. Capital and reserves (continued)

Company

Reconciliation of movement in capital and reserves

	Issued share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings Restated £'000	Total Restated £'000
At 1 January 2008	30,874	174,333	40,177	214,628	460,012
Loss for the year	–	–	–	(2,279)	(2,279)
Revaluation of investment in subsidiaries and joint ventures	–	–	–	(126,054)	(126,054)
Share options exercised	205	2,208	–	–	2,413
Dividends to shareholders	–	–	–	(3,090)	(3,090)
At 31 December 2008	31,079	176,541	40,177	83,205	331,002
Loss for the year	–	–	–	(2,543)	(2,543)
Revaluation of investment in subsidiaries and joint ventures	–	–	–	(32,688)	(32,688)
Shares issued	8,823	70,998	–	–	79,821
At 31 December 2009	39,902	247,539	40,177	47,974	375,592

Share capital

	2009	Number of Ordinary shares 2008
Authorised shares of 25p each	174,000,000	155,000,000
Issued at start of year – fully paid	124,315,841	123,495,242
Firm placing, placing and open offer	32,819,972	–
Shares issued to long-term incentive plan	2,041,059	707,612
Share options exercised	430,070	112,987
Issued at end of year – fully paid	159,606,942	124,315,841

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Merger reserve

This reserve represents the excess of the fair value over nominal value of shares issued as part consideration for assets acquired.

Revaluation reserve

The revaluation reserve represented revaluations relating to investment properties under development and land and buildings included in property, plant and equipment less any related deferred tax.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments where the hedged transaction has not yet occurred, less any related deferred tax.

Dividends

The following dividends were declared and paid during the year:

	2009 £'000	2008 £'000
Final dividend for 2008 of nil (2007: 1.67p) per 25p ordinary share	–	2,061
Interim dividend of nil (2008: 0.83p) per 25p ordinary share	–	1,029
	–	3,090

18. Earnings per share and net asset value per share

The calculations of basic and adjusted earnings per share for the Group are as follows:

	Note	2009 £'000	Restated (for share issue) £'000	2008 As previously reported
Earnings				
Basic (and diluted)		(34,861)	(115,942)	(115,942)
Adjusted	2(b)	(28,739)	(44,760)	(44,760)
Weighted average number of shares (thousands)				
Basic		134,747	125,485	124,095
Dilutive potential ordinary shares (share options)		3	303	303
Diluted		134,750	125,788	124,398
Earnings per share (pence)				
Basic		(25.9)	(92.4)	(93.4)
Diluted		(25.9)	(92.4)	(93.4)
Adjusted		(21.3)	(35.6)	(36.0)

Movements in the weighted average number of shares have resulted from the firm placing, placing and open offer in October 2009 and the issue of shares arising from the employee share-based payment schemes.

In addition to the potential dilutive ordinary shares (share options) shown above there were a further 874,000 share options in existence at 31 December 2009 (2008: 1,304,000) which are anti-dilutive.

The calculation of earnings per share for the year-ended 31 December 2008 and the net asset value per share as at 31 December 2008 have been restated in accordance with the retrospective adjustment requirements of IAS 33 Earnings per Share with regard to the firm placing, placing and open offer in October 2009. The issue comprised 32,819,972 shares and gave rise to proceeds of £82.050 million, £77.272 million net of issue costs. The adjustments arising from the reclassification of joint venture investment loans explained in Note 9 have no impact on earnings or net asset value per share.

	Note	2009 £'000	Restated (for share issue) £'000	2008 As previously reported
Net assets attributable to ordinary shareholders				
Basic		365,888	397,438	320,166
Adjusted pre dilution	2(d)	423,126	483,202	405,930
Outstanding share options		1,514	2,985	2,985
Adjusted diluted		424,640	486,187	408,915
Number of shares (thousands)				
Basic		159,607	157,436	124,316
Outstanding share options		778	1,560	1,560
Diluted		160,385	158,996	125,876
Net asset value per share (pence)				
Basic		229	252	258
Adjusted pre dilution		265	307	327
Adjusted diluted		265	306	325

19. Employee benefits

Share-based payments

The UNITE Group plc operates the following schemes: two executive share option schemes (“the Approved Scheme” and the “Unapproved Scheme”), an executive Long Term Incentive Plan (the “LTIP”), a Save As You Earn scheme (the “SAYE scheme”) and an Employee Share Ownership Trust (ESOT).

Details of the two executive schemes and share options held by directors are detailed in the Directors’ remuneration report.

The SAYE scheme issues options to employees with vesting periods of three to five years. The only condition attaching to this scheme is a service condition.

The ESOT is used to award part of Directors’ and senior managers’ bonuses in shares. These shares vest after three years’ continued service.

The number and weighted average exercise prices of share options is as follows:

	Weighted average exercise price 2009	Number of options (thousands) 2009	Weighted average exercise price 2008	Number of options (thousands) 2008
Outstanding at the beginning of the year	£1.96	1,607	£2.12	1,670
Forfeited during the year	£2.22	(480)	£3.02	(237)
Exercised during the year	£1.52	(430)	£1.96	(113)
Granted during the year	£2.22	180	£1.90	287
Outstanding at the end of the year	£2.08	877	£1.96	1,607
Exercisable at the end of the year	£2.01	516	£1.82	1,088

The weighted average remaining contractual life of outstanding options was 2.2 years (2008: 3.0 years).

The weighted average share price on the date of exercise for options exercised during the year was £2.80 (2008: £3.21).

The range of exercise prices on the share options outstanding at the end of the year was 129p to 371p (2008: 129p to 371p).

Fair value of share options and assumptions

The fair value of services received in return for share options granted after 7 November 2002 is measured by reference to the fair value of share options granted. Service conditions and non-market performance conditions are not taken into account in the grant date fair value measurement. The estimates of the fair value of the share options granted is measured based on the following models:

Option scheme	Model Used	Reason for model used
Unapproved and approved share option schemes, LTIP – TSR component	Monte Carlo simulations combined with binomial lattice	Monte Carlo simulations used to model FTSE comparator groups (for TSR performance condition) combined with (for share options) binomial lattice to incorporate seven-year exercise window
SAYE share option scheme	Black-Scholes	Service condition only, short exercise window makes a fixed date model appropriate
ESOT bonus awards, LTIP – NAV component	Discounted share price at grant	Awards equates to a gift of free shares with a performance/service condition. Discounted for dividends not receivable during the service period (ESOT only)

For share options granted in the year, the fair values and assumptions made in applying the valuation models are as follows:

	2009	2008
Weighted average fair value at measurement date	78p	200p
Share price	93–259p	227–310p
Exercise price	222p	190p
Expected volatility	50%	17%–37%
Option life	3–5 years	3–5 years
Expected dividends	0.5%	1.0%
Risk free interest rate (based on UK government bonds)	2.23%–2.89%	4.1%–4.2%

The expected volatility is based on the historic volatility (based on a period commensurate with the expected term of the options), adjusted for any expected changes to future volatility due to publicly available information.

The fair value expense recognised in the income statement is disclosed in Note 4.

20. Financial Instruments

The Group holds or issues financial instruments for two main purposes:

- To finance the development and subsequent retention of investment properties;
- To manage the interest rate risks arising from its operations and from its sources of finance.

In addition, various financial instruments – such as trade receivables and trade payables – arise from the Group's operations. All financial instruments are sterling denominated. The Group does not trade in financial instruments or derivatives.

The Group finances its development and investment activities through a mixture of retained earnings, borrowings and fresh issues of equity. The Group borrows from major banking institutions primarily at fixed rates of interest, using derivatives where appropriate to generate the desired effective interest rate basis. The derivatives used for this purpose are interest rate swaps and caps.

The main risks arising from the Group's financial instruments are interest rate risk and market price risk. The Board reviews and agrees policies for managing each of these risks, they are discussed in the Business Review and are summarised below.

Interest rate risk

The Group's exposure to interest rate fluctuations on its borrowings and deposits are managed by using interest rate swaps, caps and in some cases, simple fixed rate borrowing. The Group's policy is separated into three areas:

(i) Development finance

After taking account of interest rate swaps, none of the Group's development borrowing at 31 December 2009 is fixed. The Group will continue to review the level of its hedging in the light of the current low interest rate environment.

(ii) Refinancing risk

The Group's principal exposure to interest rate fluctuations during development relates to movements in longer term interest rates, which affect the quantum of debt the property income is capable of servicing at completion. Significant adverse movements undermine the Group's capital recycling strategy.

The Group manages this risk via a programme of pre-hedging, through the use of forward starting interest rate swaps. At 31 December 2009 approximately £17.5 million (2008: £65.4 million) of the Group's anticipated refinancing was hedged for an average term of 4.7 years (2008: 5.7 years).

(iii) Medium and long-term finance

The Group holds its medium and long-term bank finance under floating rate arrangements. The majority of this debt is hedged through the use of interest rate swap agreements, although not all these arrangements qualify for hedge accounting under IAS 39. During 2009, the Group's policy has been to hedge in excess of 50% of the Group's exposure for terms of approximately 2–15 years.

At 31 December 2009, after taking account of interest rate swaps, 75% (2008: 87%) of the Group's medium and long-term borrowing on completed properties was held at fixed rates. This is fixed at an average rate of 6.7% (2008: 6.2%) for an average period of 4 years (2008: 4 years).

Liquidity risk

With respect to its development activities, the Directors have adopted a policy whereby the Group injects substantially the full amount of equity required for each development before drawing debt under associated facilities. In this way, the funding requirements of each scheme are substantially "ring fenced" and secured at the outset of works.

Some of the Group's banking facilities contain loan to value covenants, which if property values fall far enough may require some debt to be repaid. This position is closely monitored on a regular basis and the Group develops strategies that will minimise the impact of any such repayments on other operations.

Some of the Group's medium-term banking facilities are revolving, allowing the Group to apply its cash surpluses in the temporary reduction of its debt obligations.

Market risk

The Group's primary market risk is interest rate exposure. It monitors this exposure through a process of sensitivity analysis, estimating the effect on operating cash flow over various periods of a range of possible changes in interest rates.

At 31 December 2009, it is estimated that a general increase of one percentage point in interest rates would increase the Group's loss before tax by approximately £0.9 million (2008: £0.9 million). Effective and ineffective interest rate swaps have been included in this calculation.

Notes to the Financial Statements
continued

20. Financial Instruments (continued)

The Group's policy is to accept a degree of interest rate risk, provided the effects of the various potential changes in rates remain within certain prescribed parameters.

Interest rate swaps maturity

	2009 Nominal amount hedged £'000	2009 Applicable interest rates %	2008 Nominal amount hedged £'000	2008 Applicable interest rates %
Within 1 year	–	–	158,205	3.36–4.98
1–2 years	5,000	4.79	–	–
2–5 years	260,247	4.80–5.785	18,244	4.79– 5.15
More than 5 years	47,149	4.50–5.63	364,551	5.12–5.63

The following is a maturity analysis of financial liabilities using the contractual undiscounted cash flows:

2009	Total £'000	Within 1 year £'000	1–2 years £'000	2–5 years £'000	More than 5 years £'000
Non-derivative financial liabilities					
Bank and other loans	495,667	11,620	11,632	433,450	38,965
Trade and other payables	73,056	73,056	–	–	–
Derivative financial liabilities					
Interest rate swaps	70,428	14,146	14,129	36,983	5,170

2008	Total £'000	Within 1 year £'000	1–2 years £'000	2–5 years £'000	More than 5 years £'000
Non-derivative financial liabilities					
Bank and other loans	773,686	170,511	26,799	309,563	266,813
Bank overdrafts	25,077	25,077	–	–	–
Trade and other payables	80,544	80,544	–	–	–
Derivative financial liabilities					
Interest rate swaps	24,471	3,556	3,525	11,096	6,294

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

	2009 £'000	2008 Restated £'000
Cash	48,764	111,845
Other trade receivables (see below)	18,738	20,577
Amounts due by joint ventures (excluding loans that are capital in nature)	13,153	13,050
Joint venture investment loans	12,239	5,618
	92,894	151,090

Amounts receivable from joint ventures are not past due or impaired.

Other trade receivables represent amounts due from the Group's external customers as follows:

2009	Ageing by academic year			
	Total £'000	2009/10 £'000	2008/09 £'000	Prior years £'000
Rental debtors				
Commercial tenants (past due and impaired)	7,628	5,209	755	1,664
Individual tenants (past due and impaired)	6,304	3,061	2,100	1,143
Provisions carried	(3,398)	(920)	(1,439)	(1,039)
Past due but not impaired	10,534	7,350	1,416	1,768
Manufacturing debtors (not past due or impaired)	8,204	8,204	–	–
	18,738	15,554	1,416	1,768

20. Financial Instruments (continued)

2008	Total £'000	2008/09 £'000	Ageing by academic year	
			2007/08 £'000	Prior years £'000
Rental debtors				
Commercial tenants (past due and impaired)	7,003	4,100	1,514	1,389
Individual tenants (past due and impaired)	4,359	1,371	2,988	–
Provisions carried	(1,681)	(652)	(671)	(358)
Past due but not impaired	9,681	4,819	3,831	1,031
Manufacturing debtors (not past due or impaired)	10,896	10,896	–	–
	20,577	15,715	3,831	1,031

The Group holds £8.557 million (2008: £8.450m) in tenant deposits as collateral on the above rental debtors. This has been taken into account, together with historical collection patterns, in establishing the level of provisions carried.

Movements in provisions carried are explained as follows:

	2009 £'000	2008 £'000
At start of year	1,681	1,144
Impairment charged to income statement in year	2,066	1,454
Debt write off	(349)	(917)
At end of year	3,398	1,681

Effective interest rates

Interest rate swaps with fair value liabilities of £29.401 million (2008: £47.776 million) and remaining lives of 1 to 15 years have been accounted for in creditors and debtors.

The Group's overall average cost of debt as at 31 December 2009 is 5.45% (2008: 5.7%). The average cost of the Group's borrowing on completed properties at 31 December 2009 is 5.6% (2008: 6.2%).

Fair value of financial assets and liabilities

The Group has the following financial assets and liabilities carried at fair value:

	IFRS7 level	Group		Company	
		2009 £'000	2008 £'000	2009 £'000	2008 £'000
Joint venture investment loans	3	12,239	5,618	3,836	3,461
Interest rate swaps	2	29,401	47,776	–	–

The IFRS7 level categorisation relates to the extent the fair value can be determined by reference to comparable market values. The classifications range from level 1 where instruments are quoted on an active market through to level 3 where the assumptions used to arrive at fair value do not have comparable market data. There have been no transfers between levels during the year. The movement in level 3 instruments is disclosed in Note 9.

The fair value of joint venture investment loans, which form part of the Group's interest in joint ventures, have been valued using a discount rate based on an estimated market cost of 10% over the contracted period of the investment.

The fair values of interest rate swaps and fixed rate loans (shown in the table below) have been calculated by a third party expert discounting estimated future cash flows on the basis of market expectations of future interest rates.

Fair values have been calculated by discounting future cash flows at prevailing interest rates.

The fair value of the Group's financial assets and liabilities do not differ from their book values other than as shown below:

	2009 Book value £'000	2009 Fair value £'000	2008 Book value £'000	2008 Fair value £'000
Fixed rate loans	(39,941)	(41,447)	(20,900)	(23,211)

Notes to the Financial Statements continued

20. Financial Instruments (continued)

Capital management

The Group's financing strategy is based around its developer and co-investing manager business model, which allows capital from stabilised developments sold to UNITE UK Student Accommodation Fund to be recycled into new schemes. The Board has adopted this business model to achieve an appropriate balance between the capital deployed in mature, lower return investment and higher yielding development opportunities.

The Board regularly reviews the capital available to the business with a view to ensuring that the Group has an appropriate capital base to maintain investor, creditor and market confidence and sustain the future development of the business.

The Board has processes in place to ensure capital is only committed to new schemes, for site purchase or build, when there is sufficient capital available. These processes also ensure that capital is allocated to the opportunities offering the greatest return.

The Group regards its available capital as the amount of its adjusted net assets, as this excludes deferred tax and the fair value of financial instruments, which will not be crystallised in the normal course of trade and includes all property assets at market value. At 31 December 2009 capital on this basis amounted to £423 million (2008: £406 million). The Group seeks to manage its adjusted gearing, which is based on this capital base, in a range of 100% to 120%.

21. Operating leases

Leases as lessee

The future minimum lease rentals payable under non-cancellable operating leases are as follows:

	2009 £'000	2008 £'000
Less than one year	14,186	10,993
Between one and five years	54,903	41,426
More than five years	200,932	150,316
	270,021	202,735

Leases for commercial properties typically run for 5–15 years with market rent reviews every 5 years.

Leases of residential accommodation properties run for periods between 17 and 25 years are generally subject to annual RPI based rent reviews. One property is subject to a fixed annual rent increase of 2%.

Leases as lessor

The Group leases out its investment property under operating leases. The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2009 £'000	2008 £'000
Less than one year	42,274	31,894
Between one and five years	21,233	27,665
More than five years	33,314	28,907
	96,821	88,466

Notes to the Financial Statements continued

22. Related parties

Group

The Group has had a number of transactions with its joint ventures, which are disclosed in Notes 9 and 12.

Company

During the year, the company entered into various free loans with its subsidiaries, the aggregate of which are disclosed in the cash flow statement. In addition, the following material transactions took place.

	2009 £'000	2008 £'000
Intercompany recharges for corporate costs		
UNITE Integrated Solutions plc	2,295	2,354

As a result of these intercompany transactions, the following amounts were due (to)/from the company's subsidiaries at the year-end.

	2009 £'000	2008 £'000
UNITE Holdings plc	77,103	130,694
UNITE Finance One (Property) Ltd	–	99,772
UNITE Finance Ltd	30,408	12,767
LDC (Holdings) plc	197,106	–
LDC (Portfolio One) Ltd	–	10,030
Amounts due from group undertakings	304,617	253,263
LDC (Holdings) plc	–	(8,130)
Unilodge Holding Ltd	(13,862)	(13,862)
Unilodge Holdings (UK) Ltd	(15,812)	(15,812)
Amounts due to group undertakings	(29,674)	(37,804)

The company has had a number of transactions with its joint ventures, which are disclosed in Note 9.

Transactions with key management personnel

Director's remuneration is disclosed in Note 4.

	2009	2008	2007	2006	2005
Adjusted diluted net asset value per share (pence)* **	265	306	374	385	336
Net asset value per share on an IFRS basis (pence)*	229	252	337	358	298
Adjusted net assets (£m)	423	483	587	604	524
Net assets on an IFRS basis (£m)	366	320	450	481	383
Managed portfolio value (£m)	2,039	1,829	1,723	1,435	1,165
Gearing					
– adjusted (%)	92	131	106	78	162
– including share of co investment funds (%)	133	174	136	111	172
– on balance sheet (%)	115	180	121	85	193
Rental income					
– from wholly owned assets (£m)	58	58	63	92	81
– including share of co investment funds (%)	82	78	82	98	86
Investment segment result (£m)	6	1	8	8	4
Net portfolio contribution (£m)	1	(5)	(2)	2	1
Adjusted (loss)/profit before tax (£m)	(29)	(45)	(63)	(9)	3
(Loss)/profit before tax (£m)	(35)	(116)	(37)	71	32
Earnings per share					
– adjusted (pence)*	(21)	(36)	(50)	(12)	3
– basic (pence)*	(26)	(92)	(30)	58	28

*net asset values and earning per share for 2008 and prior years have been restated in accordance with the retrospective adjustment requirements of IAS 33 Earnings per Share with regard to the firm placing, placing and open offer in October 2009.

**2005 and 2006 have been restated to show the 46 pence per share impact of redeeming the UNITE Finance One bond.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of The UNITE Group plc (the "Company") will be held at The Core, 40 St Thomas Street, Bristol BS1 6JX at 9.30 a.m. on 18 May 2010 for the purpose of considering and, if thought fit, passing the following resolutions which, in the case of resolutions numbered 1 to 6 (inclusive), shall be proposed as ordinary resolutions and, in the case of resolutions numbered 7 to 9 (inclusive), will be proposed as special resolutions.

Ordinary business

1. To receive the audited annual accounts of the Company for the year ended 31 December 2009, together with the Directors' report and Auditor's report on those accounts.
2. To approve the Directors' Remuneration Report for the year ended 31 December 2009.
3. To re-appoint Mr R S Walker as a Director of the Company.
4. To re-appoint Mr J M Tonkiss as a Director of the Company.
5. To re-appoint KPMG Audit Plc as auditors to hold office until the conclusion of the next general meeting of the Company at which accounts are laid and to authorise the Directors to determine their remuneration.

Special business

6. THAT, in substitution for any equivalent authorities and powers granted to the Directors prior to the passing of this Resolution, the Directors be and are generally and unconditionally authorised pursuant to Section 551 of the Companies Act 2006 (the "Act"):

(a) to exercise all powers of the Company to allot shares in the Company, and grant rights to subscribe for or to convert any security into shares of the Company, up to an aggregate nominal amount of £13,302,275;

(b) to allot equity securities (as defined by Section 560(1) of the Act) in connection with a rights issue up to an aggregate nominal amount of £13,302,275:

- a. in favour of holders of ordinary shares in the capital of the Company, where the equity securities respectively attributable to the interests of such holders are proportionate (as nearly as may be practicable), to the respective number of ordinary shares in the capital of the Company held by them; and
- b. to holders of any other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,

but subject to such exclusions or other arrangements as the Directors consider expedient in relation to fractional entitlements, legal or practical problems under the laws in any territory or the requirements of any relevant regulatory body or stock exchange,

provided that this authority shall expire (unless renewed, varied or revoked by the Company in general meeting), on the date falling 15 months from the passing of this resolution or, if earlier, at the conclusion of the next annual general meeting of the Company to be held following the passing of this Resolution, save that the Company may, before such expiry, make an offer or enter into an agreement which would or might require shares in the Company to be allotted or rights to subscribe for or convert securities into shares be granted after such expiry and the Directors may allot shares or grant rights to subscribe for or convert securities into shares in pursuance of such offer or agreement as if this authority had not expired.

7. THAT, in accordance with Section 570(1) of the Act, the Directors be and are empowered to allot equity securities (within the meaning of Section 560(1) of the Act) pursuant to the general authority conferred on them by Resolution 6 above as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited:

- (a) to the allotment of equity securities in connection with an offer or issue to or in favour of ordinary shareholders on the register on a date fixed by the Directors where the equity securities respectively attributable to the interests of all those shareholders are proportionate (as nearly as practicable) to the respective numbers of ordinary shares held by them on that date, but the Directors may make such exclusions or other arrangements as they consider expedient in relation to fractional entitlements, legal or practical problems under the laws in any territory or the requirements of any relevant regulatory body or stock exchange; and
- (b) to the allotment (other than under (a) above) of equity securities having a nominal value not exceeding in aggregate £1,995,341

and this authority shall expire on the date falling 15 months from the passing of this resolution, or, if earlier, at the conclusion of the next annual general meeting of the Company to be held following the passing of this resolution, save that the Company may, before this authority expires, make an offer or agreement which would or might require equity securities to be allotted after it expires and the Directors may allot equity securities in pursuance of such offer or agreement as if this authority had not expired and provided further that this authority shall supersede and revoke all previous authorities under Section 570(1) of the Act.

8. THAT a general meeting other than an annual general meeting may be called upon not less than 14 clear days' notice.

9. THAT:

- (a) the articles of association of the Company be amended by deleting to the fullest extent permitted by law all of the provisions of the Company's memorandum of association which, by virtue of Section 28 of the Act, are to be treated as provisions of the Company's articles of association;
- (b) any limit on the maximum amount of shares that may be allotted by the Company which is imposed by the amount of the Company's authorised share capital that is in force be revoked; and
- (c) the draft articles of association produced to the meeting and initialled for the purposes of identification by the chairman of the meeting be and they are adopted by the Company in substitution for, and to the exclusion of, its existing articles of association.

BY ORDER OF THE BOARD

A D Reid
SECRETARY

Dated 3 March 2010
Registered office:
The Core
40 St Thomas Street
Bristol
BS1 6JX

Notes

1. A member of the Company who wishes to attend the meeting in person should arrive at the offices of the Company, The Core, 40 St Thomas Street, Bristol BS1 6JX in good time before the meeting, which will commence at 9.30 a.m. In order to gain admittance to the meeting, members may be required to produce their attendance card, which is attached to the form of proxy enclosed with this document, or otherwise prove their identity.
2. A member of the Company who is unable or does not wish to attend the meeting is entitled to appoint a proxy to exercise all or any of his/her rights to attend and to speak and vote on his/her behalf at the meeting. A proxy need not be a member of the Company but must attend the meeting to represent his/her appointing member. Appointing a proxy will not prevent a member from attending in person and voting at the meeting. A form of proxy which may be used to make such appointment and give proxy instructions accompanies this notice. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
3. To be valid, any form of proxy, and the original or duly certified copy of the power of attorney or other authority (if any) under which it is signed or authenticated, must be received by hand or by post at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, no later than 9.30 a.m. on 14 May 2010.
4. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
5. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be a valid, be transmitted so as to be received by the Company's agent (CREST ID 3RA50) by the latest time for receipt of proxy appointments specified in Note 3 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
6. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his/her CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
7. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (as amended).
8. If you would like to submit your proxy vote via the internet, you can do so by accessing our registrar's website (www.eproxyappointment.com). You will require the control number, your unique PIN (which will expire at the end of the voting period) and your Shareholder Reference Number ("SRN"), printed on the proxy card, in order to log in and submit your proxy vote electronically. You can access this site from any internet enabled PC.
9. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
10. If you submit more than one valid proxy appointment in respect of the same shares, the appointment received last before the latest time for the receipt of proxies will take precedence.
11. Any person to whom this notice is sent who is a person nominated under Section 146 of the Act to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
12. The statement of the rights of shareholders in relation to the appointment of proxies above does not apply to Nominated Persons. These rights can only be exercised by shareholders of the Company.
13. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), the Company specifies that only those shareholders registered in the register of members of the Company at 5.00 p.m. two days before the meeting shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time.
14. As at 3 March 2010 the Company's issued share capital consists of 159,627,311 ordinary shares carrying one vote each. Therefore the total voting rights in the Company as at 3 March 2010 are 159,627,311.
15. You may not use any electronic address provided either in this notice of meeting or any related documents (including the proxy form) to communicate with the Company for any purposes other than those expressly stated.
16. Members attending the meeting have the right to ask and, subject to the provisions of the Act, the Company must cause to be answered, any questions relating to the business being dealt with at the meeting.
17. The following information is available at www.unite-group.co.uk (1) the matters set out in this Notice of Annual General Meeting; (2) the total numbers of shares in the Company in respect of which members are entitled to exercise voting rights at the meeting; (3) the totals of the voting rights that members are entitled to exercise at the meeting; and (4) members' statements, members' resolutions and members' matters of business received by the Company after the date on which notice of the meeting was given.
18. It is possible that, pursuant to requests made by members of the Company under Section 527 of the Act, the Company may be required to publish on a website a statement setting out any matter relating to: (a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the annual general meeting; or (b) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the Act. The Company may not require the members requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under Section 527 of the Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required under Section 527 of the Act to publish on a website.
19. In accordance with Section 338 of the Act, a member or members of the Company may (provided that the criteria set out in Section 338(3) of the Act are met) require the Company to give to members notice of a resolution which may properly be moved and is intended to be moved at the meeting, provided that: (a) the resolution must not be, if passed, ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise); and (b) the resolution must not be defamatory of any person, frivolous or vexatious. Such a request may be in hard copy form or in electronic form, must be authenticated by the person or persons making it, must identify the resolution of which notice is to be given and must be received by the Company not later than six weeks before the meeting, or, if later, the time at which notice is given of the meeting. (In the foregoing sentence, the terms "hard copy form", "electronic form" and "authenticated" bear their respective meanings set out in the Act in relation to a communication, or a document or information sent or supplied, to a company.)
20. In accordance with Section 338A of the Act, a member or members of the Company may (provided that the criteria set out in Section 338A(3) of the Act are met) require the Company to include in the business to be dealt with at the meeting a matter (other than a proposed resolution) which may properly be included in the business of the meeting, provided that the matter is not defamatory of any person, frivolous or vexatious. A request may be in hard copy form or electronic form, must identify the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person or persons making it and must be received by the Company not later than six weeks before the meeting, or, if later, the time at which notice is given of the AGM. (In the foregoing sentence, the terms "hard copy form", "electronic form" and "authenticated" bear the respective meanings set out in the Act in relation to a communication, or a document or information sent or supplied, to a company.)
21. The following documents are available for inspection at the registered office of the Company during the usual business hours on any weekday (Saturday, Sunday or public holidays excluded) from the date of this notice until the conclusion of the annual general meeting and will also be available for inspection at the place of the meeting from 9.15 a.m. on the day of the meeting until its conclusion:
 - (a) copies of the Executive Directors' service contracts with the Company and any of its subsidiary undertakings and letters of appointment of the Non-Executive Directors; and
 - (b) a copy of the proposed new articles of association of the Company, and a copy of the existing articles of association marked to show the changes being proposed in resolution 9(c).

Glossary

Adjusted, fully diluted net asset value per share (Adjusted NAV)

The basic NAV per share figure is recalculated to take account of dilutive outstanding share options and adjusted to:

- exclude the mark to market of interest rate swaps
- exclude the impact of deferred tax
- include the valuation gain not recognised on properties held at cost.

Adjusted net debt

The Group's debt, net of cash and unamortised debt raising costs, excluding the mark to market of interest rates swaps.

Adjusted net debt to property assets

Is the adjusted net debt as a percentage of the value of properties.

Adjusted gearing

Adjusted net debt as a percentage of adjusted net assets.

Net operating income (NOI)

The rental income from completed properties less those operating costs directly related to the property, hence excluding central overhead.

Net profit contribution (NPC)

This is an important indicator of operational performance as it measures the net operating income from the completed properties, net of their financing costs and the Group's total non-development related overheads.

Adjusted profit

Adjusted profit is prepared on the basis recommended for real estate companies by EPRA, the European Public Real Estate Association, which excludes movements relating to changes in values of investment properties and interest rate swaps, profits on disposal of investment properties (but not trading properties) and the related tax effects.

Adjusted earnings per share

The diluted earnings per share based on adjusted profit.

Total income from managed portfolio

This measure indicates the overall scale of the property portfolio that the Group manages, it comprises rental and related income, totalling £164.3 million from properties owned by:

	£m
The Group	43.2
Third parties and leased by the Group	15.0
USAF	78.9
UCC	22.0
USV	5.2

The Group's total share of this gross income is shown in Note 2(c).

Gross financing costs

This includes all interest paid by the Group and its share of interest paid by joint ventures, including interest capitalised into developments and operating lease rentals. It includes all receipts and payments under interest rate swaps whether they are effective or ineffective under IFRS as economically they all hedge interest rate exposures. It excludes the cost of early termination of loans and swaps.

Financing costs

Gross financing costs net of interest capitalised into developments and interest received on deposits.

Interest cover ratio (ICR)

The interest cover ratio is the income generated by a property as a multiple of the interest charge on the debt secured on the property.

Net Initial Yield (NIY or Yield)

The net operating income generated by a property expressed as a percentage of its value.

Basis points (bps)

A basis point is a term used to describe a small percentage, usually in the context of a change, and equates to 0.01%

Net rental growth

The annual growth in net operating income less costs from a property (measured on a like-for-like basis i.e. excluding impact of completion and disposals).

Minimum net worth

A minimum net worth covenant measures the value of the Company against an absolute target.

USAF/the Fund

The UNITE UK Student Accommodation Fund established in 2006 is now Europe's largest fund that purely focuses on investment in direct let student accommodation investment assets. The Fund is an open ended infinite life vehicle which has unique buying access to UNITE's portfolio. UNITE act as Fund Manager of the Fund, as well as owning a significant minority stake.

UCC

UNITE Capital Cities was established in 2005 as a joint venture between UNITE and GIC Real Estate. It is a closed-ended vehicle due to mature in 2013 and was established by UNITE to develop and operate student accommodation in London and Edinburgh. UCC equity is now fully invested and all development projects have been completed.

OCB

UNITE successfully established a joint venture with Oasis Capital Bank in August 2009. The joint venture consists of three development assets located in London, all of which are due for completion in 2010.

USV

UNITE Student Village was established in 2004 as a joint venture between UNITE and Lehman Brothers to develop large student village schemes of c. 1,000 bed spaces. It is a closed-ended fund with one remaining operational asset located in Sheffield.

Stabilising assets

Properties that have recently been developed and are not yet generating their optimal net operating income.

Non-core assets

Properties which do not fit with the Group's long term investment strategy, either because of their location or because they are let to universities under long term agreements

UCAS

UCAS is the central organisation responsible for processing applications for full time undergraduate courses at UK universities and colleges (www.ucas.co.uk).

UNIAID

UNIAID Foundation is a charity that supports students coping with the financial hurdles to higher education by providing online money management tools and practical support to students (www.uniaid.org.uk).

UNITE letting arrangements

Direct Let

Properties where short-hold tenancy agreements are made directly between the commercial operator and the student.

Lease

Properties which are leased to universities for a number of years and have no UNITE management presence.

Nominations

Properties where short-hold tenancy agreements are made with students, with the university providing a long term occupancy guarantee in respect of a significant proportion of rooms.

Sale and lease back

Properties which have been sold to a third party investor then leased back to the Company. UNITE are responsible for the management of these assets on behalf of the owner.

Company Information

UNITE management

Leadership Executive

Mark Allan
Chief Executive

Joe Lister
Chief Financial Officer

John Tonkiss
Chief Operating Officer

James Granger
Corporate Development Director

Nathan Goddard
Business Development Director

Caroline Mallin
Communications Director

Shane Spiers
Managing Director, Property Management

Richard Simpson
Managing Director, Development

Mark Creedy
Managing Director, Fund Management

Steve Grant
Managing Director, Asset Management

Will Garrard
Managing Director, UNITE Modular Systems

Registered Office

The Core,
40 St Thomas Street,
Bristol BS1 6JX

Registered Number in England

3199160

Company Secretary

Andrew Reid

Auditors

KPMG Audit Plc
8 Salisbury Square
London EC4Y 8BB

Financial Advisers

J.P. Morgan Cazenove
20 Moorgate
London EC2R 6DA

Numis Securities
The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT

Registrars

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Bristol BS99 7NH

Financial PR Consultants

Financial Dynamics
Holborn Gate
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London WC2A 1PB

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The heart of
student living

